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FROM THE CONTENTS:—

Effects of £ Devaluation
Mr. Kann on £ Devaluation
Hongkong Real Estate Market

Hongkong Trade (August)
Burma in 1948
South Korea Conditions

Shanghai & Tientsin Reports
Japan's Resuscitation
Hongkong Silver Trade

BRITAIN IN ASIA

By E. Stuart Kirby.

In this series of articles (Far Eastern Economic Review, August 4th onwards) the perspectives of Far Eastern economic development have been broadly surveyed, in terms of the abilities and intentions of the participants. Nationalism, Communism, industrialisation, the agrarian background, Russia, America, Japan and other main topics have been considered environmentally and psychologically. One of the principal countries concerned has therefore been left to the last. This is in line with all the superficial appearances of the situation, in which Britain, formerly a leader in Far Eastern development, now seems to take a lesser part or to perform only residual functions.

The appearances are however deceptive. British interests in the East are considerable; the potential British contribution to world development is incalculably great. The U.K. and the Empire have certainly suffered great material losses. Locally in China a large investment of British capital may have been more or less "liquidated." Perhaps an appropriate term is "Shanghai-ised," since 70% or more of British holdings in China were located in Shanghai. The vicissitudes of that once grandiose city under its last three regimes, its decline into shabbiness and stagnation, have demonstrated in succession the results of Japanese totalitarianism, Nationalist autarchism, and Communist antagonism. The contrast with British conceptions of free development hardly needs underlining, since it was largely those conceptions that prevailed in Shanghai, in the days when that city grew and prospered.

Despite the losses, the British stake in the Far East is still very large. There is no need here to give particulars of Hongkong or Malaya, of shipping or of other matters. Some rather inaccurate estimations were made of these, a few years back, by the cave-dwellers of Yenan. But the latter, since they emerged into a wider world, have shown much sincerity, some common sense and considerable practical ability; one may be confident that wider contacts, time and experience will gradually bring them greater objectivity. On our side we may suggest, to start with, that it is actually misleading nowadays to calculate Britain's relation to the

Far East in terms of a figure of capital invested, of so many million pounds. Because "capital," in the kind of thought in vogue today, suggests industrial installations and industrial power. The British interests in question are in fact preponderantly commercial, with transport and services taking a second place, and industrial ventures (nearly all in the field of mining) a third and comparatively small one. The first essential for an understanding of the British part is that it is (and has been for centuries) fundamentally and characteristically a commercial one.

* * *

The trader, more than any other man, lives for the future; he calculates by his anticipations on trading account, rather than by the present balance sheet, and his conduct is not much determined by technical considerations deriving from the past. The expression used above, "the British stake in the Far East" is harmful if it suggests primarily the motive of preservation of vested interests. The British "stake" in the Far East has always been overwhelmingly a stake in the future, ever since that nation of tradesmen first looked at the deserted rock, Hongkong, and the mudbank, Shanghai, and saw that something could be made of them. Typically, their demand was for new ports; had they been people who lived for the present or delighted in the past they might (for instance) have occupied more desirable parts of the country, set up a new dynasty, or taken to wearing the Long Gown as well as the Old School Tie. Of the present we may speak less fancifully, and say roundly that they stand firmly for free and expanding trade, as the broad way to future prosperity.

Here we are concerned strictly with the economic aspect. Current thought will not however allow this to be discussed in other than political terms. The British trading interest is represented by Communists as really a reactionary vested interest, somehow based on political pressure and the forcible imposition of monopoly. All this is simply incomprehensible to the

British, who are struggling with intensely competitive conditions, and feel that post-war Britain is hardly in a position to exercise any large-scale coercion in the Far East, even if she desired to do so. Alternatively, however, the coercion and other supplementary measures are represented as being delegated to others, such as compradores and "semi-feudal elements." Certainly, most British have a due regard for their compradores; but might be willing to replace them with Communists or anyone else, were the latter to do as much for the development of China as the comrade system has. As for "semi-feudalism" and "semi-colonialism," it is not clear how these can effectively be supported, or why the British, who have suffered considerably from that state of affairs, should extend such support.

Karl Marx rightly stressed that the spread of capitalist development all over the world was a necessary stage in the progress of the human race. He desired that it should be accelerated, so that mankind could go on to higher things; sabotage of this process in its expanding phase was in his eyes a counter-revolutionary act. Mao Tse-tung, with similar wisdom, decreed the promotion of capitalism in China, after its liberation from "bureaucratic" and "semi-feudal" influences, and proposed a century of capitalism for his country before Communism became practical politics. There seems no reason to suppose that the Western powers would not accept this as common ground, pending a reconsideration of Communism over the next eighty years or so, if there were not signs that this piece of economic commonsense was likely to be overridden by political fanaticism. One tendency is to cultivate the illusion that China can evolve into capitalism autarchically out of its own resources, and that foreign assistance can either be dispensed with, or obtained on conditions inferior to those which Soviet Russia granted to foreigners in the 1920's and '30's. The other is the frank subordination of China to Russia's foreign policy, the adoption of a similar militarised hostility, and the taking of fervent oaths "never to become Titos" (i.e. never to adopt any policy, however thoroughly Communist, not drafted and approved in Moscow). In spite of these dangers, the British are now obviously eager to trade goods

and technical knowledge with the New China—indeed over-eager, in the view of the real reactionaries, to whom this readiness represents Appeasement.

The above has dealt particularly with British relations with China, because they make especially clear the predominantly mercantile nature of British interests, and also because the direct conflict in the Far East is very largely one between Communism and Britain: the clash with America is in many ways more indirect. On the question of "vested interests" in general, there has always been much exaggeration of the relative importance of British and American holdings in the Far East, as compared with their total assets: before the war British investments in the Far East represented about 8% of total British foreign investment, and American investments in the Far East about 6% of total American foreign investment. The position has changed recently, but from this point of view it may still be said most decidedly that either country could withdraw from the Far East altogether without facing national bankruptcy. They stay there because they have a great belief in the future of the area, not because the *status quo* was, from their economic point of view, all-important. Principles, and conceptions of progress are, however, worth defending; and it is to be hoped that no one will repeat the errors of Hitler and others who took prolonged readiness to compromise to mean that the essentials would not be defended.

The British contribution, actual and potential, is to provide the framework on and within which progress is possible. The preconditions of development are the maximisation of trade and movement, the provision of all the facilities involved, and the maintenance of ethical and practical standards. To enumerate the requirements in these respects is to give a list of the activities which partly or mainly exist in the Far East as a result of British initiative. They cannot however be evaluated solely in material terms, as they also depend on commercial, technical, social and civic "know-how," on intangibles and "invisible exports."

Far Eastern development is taken to depend on world trade, requiring just such a network as is provided by British connections. An interrelated question is that of transport. Development depends on shipping, and its pace is set by the availability of shipping, especially of the type of maritime organisation appropriate to "colonial" traffic; railway development and air traffic are important but less immediate. Air links are as yet of greater significance from the point of view of passenger travel and mails than for freight, and therefore bring us to the next category, communications, in which the British connection likewise proposes worldwide associations. Banking, finance and

currency are similarly taken as capable of sound development only in an international setting. In this relation the Sterling area is of key importance, not merely from a quantitative point of view, but qualitatively because of its extensiveness, the manner in which it combines local autonomy with flexibility and yet makes for cohesion, and so forth. British experience in this field in the Far East extends over centuries, and the resultant system is uniquely adapted to the needs of Far Eastern development. Given even an elementary degree of security, British banking, with the sterling connection, could extend a substantial part of the trade credit which is essential for Eastern development. The same applies to technical expertise, over the whole range of industrial and advisory functions. Finally, on the periphery of economic questions proper, reference might be made to local and general experience of administration, and the preservation of high standards in that respect.

From the point of view of development planning in the Far East, it is in the immediate availability of capital that Britain is relatively weak. She could provide, either in terms of cash down or immediate credit, or in terms of promises to deliver in short order a succession of consignments of high-priority development goods, "aid" which would not be negligible, but would be small, relative to what America might be able to offer, or relative to the real needs of Asian development. In large part, the British attitude is conditioned by the fact that Britain must reaccumulated the means of capital development through her own efforts, through the development of honest trade and provision of services of a high quality. It is not merely a question of the home country "paying her way," living from day to day and covering current requirements; the Commonwealth as a whole must be an expanding economic system, dynamic and adaptable to the changing and growing needs of an increasing international trade, or it has no right to exist. ("Expanding" is of course meant in terms of development and increasing prosperity; territorial aggrandisement is practically out of the question in the present era, and is in any case undesired as the Empire group has already all the commitments it can well undertake). Britain, the Commonwealth and the Empire must earn their way, not merely to bare subsistence, but to economic security and a high degree of material progress. Theirs is the development attitude par excellence, since their main reliance must be on self-help, to which special grants from America can only be supplementary; and also because they must stand for an overall or universalised pattern of development, as against a localised or uneven one.

If there were a "Marshall Plan for the Far East," the British group of interests concerned would necessarily have to play a part similar to that taken by the United Kingdom in Europe. In the European Recovery

Programme, the U.K. receives the largest share of the funds—but also promises the largest measures of national progress and deficit-reduction. These proportions might not be the same in a hypothetical Far Eastern plan. In Europe, the roles of original convener, chairmanship in the initial stages, working model for the administrative machinery and procedural forms, etc., fell immediately to the U.K.; though, as the structure became definite, these functions became more equally spread among the participants. This was not done on the basis of political discrimination, nor of protocol or diplomatic precedence, but because Britain's position and capabilities inevitably thrust some of the initiative upon her. One, or all together, of the British participants might have to do something of the same sort in any Asian scheme, by some arrangement involving at least (say) India, the Special Commission in S.E. Asia, and Australia, and probably also New Zealand, Malaya, Hongkong, and other units. Another striking lesson of the European experience was that there soon developed in Western Europe, within the orbit of the external problem of dollar shortage, an internal problem of Intra-European Payments, which meant in large part a secondary shortage, for some of the continental nations, of sterling; a subsidiary scheme had to be evolved by the European participants to meet this need. Something of the sort would certainly arise in the Far East also, and a subsidiary arrangement of sterling credits and transfers would be equally indispensable in this part of the world.

The British wish to avoid another World War, which might mean their final ruin. They would go to great lengths to avoid economic and strategical divisions which would enhance the risk of war. They want to extend the area and volume of trade and other free relations, and maximise reciprocity. They are persistently optimistic in their approach to China, in this sense. They need an overall settlement with Japan, the removal of the absurd position in which that country is on a hard currency basis, and the reestablishment of its multilateral economic relations on a new footing. Meanwhile their general sterling-area arrangement with Japan, and the special Hongkong arrangement that preceded it, represented a main step in Far Eastern trade development.

Another major development since the war, which well illustrates the spirit and practice of the British contribution, is the Special Commission in S.E. Asia. The immediate post-war arrangements for allocation of supplies, etc. by boards of the local military governments, were developed into this system. An official (later succeeded by another) of practically ministerial and ambassadorial standing, was appointed Special Commissioner in S.E. Asia based at Singapore. By consultation and administrative arrangements with the surrounding governments, both inde-

pendent and colonial, supplies and requirements are estimated, coordinated and planned between them, information and suggestions are exchanged, etc., through the machinery of this Commission.

This provides an excellent groundwork for the kind of structure that will eventually be indispensable, on a wider and more thoroughgoing basis, if Asian development is to make systematic progress. Meanwhile, the British organisation elsewhere in the Far East is somewhat loose. Possibly more initiative, on the lines of the start made in S.E. Asia, is required and would do much to show the way to further progress. The position of Hongkong is still somewhat undefined, for instance: military measures have done much to increase the sense of security, but have not quite overcome the local feeling that the place is an expendable outpost. It does not seem to be fully within the S.E. Asia arrangement; in any case something more is required, especially a recognition of the quite special nature of its position. Increasingly inappropriate, administratively, is its "remote control" from London. If systematic relations with China are restored, Hongkong might be more integrally related with British diplomatic offices in China than it was in the past, when this relation was limited to a short-term interchange of personnel. The direct trade representation of Hongkong in Japan was very successful; similar arrangements might surely be made elsewhere. The development of local industries is another sphere in which the Hongkong government has done well. In this respect also Hongkong's progress might be brought within the general plan of the Colonial Development Policy. The latter has largely concentrated on Africa, but the British colonies in other parts of the world, including the few in the Far East and Pacific, are not omitted from its scope. The development of rice production in North Borneo and other places is one of the most interesting practical steps in this plan, involving some remarkable experiments in the mechanisation of rice cultivation.

The amount of development work and planning already under way in the British territories of the Far East, and their immediate spheres of influence, is thus not inconsiderable, and might be extended. The British hope would be, however, that others would do likewise and broaden the area of cooperation. Meanwhile, the foundations for a future of free development are secured by the activities centred in Malaya—a main source of raw materials for the whole world, whose trade benefits not only the British dollar pool but the general prosperity of Asia—and in the great entrepôts of Hongkong and Singapore.

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ECONOMIC NEWS FROM THE UNITED STATES

By E. Kann.

(Special to *Far Eastern Economic Review*).

THE DEVALUATION OF THE £.

At long last the British pound sterling has been devaluated from 4.03 to 2.80 U.S.\$, in face of long-lasting and steadfast denials on the part of Britain's responsible ministers. Though the new measure is termed in this country "a progressive step", and though it had the blessings of the International Monetary Fund, sober observers express the opinion that the new ruling is much more of a palliative than a lasting cure; its effects may overbridge the difficulties of the coming six months or so, but they cannot by themselves constitute a lasting remedy for a malignant ailment.

There is no dispute over the fact that now, after depreciation of England's currency, England will be better able to export her industrial production. But since she is forced to import not only raw material, but also food, the cost of living in Great Britain must perforce rise once more. In this manner the pound's devaluation does not promise a lasting cure of the country's maladies.

In looking for the roots of the evil one must recognize that these emanate from national debts incurred during world wars I and II. Let us recall that Britain's heroic performances during those two titanic struggles were not all the sacrifices she brought, for she also yielded all her foreign assets and stepped deeply into foreign debts. American land-lease obligations aggregated about 30 billion dollars; Britain's obligations to the Commonwealth and the Empire amounted (@ 4 \$ per £) approximately to 14 billion more.

Realizing Britain's position, the United States, shortly after termination of world war II, came to her rescue. In 1945 she cancelled the huge lend-lease obligation of \$ 30 billion, extended a new loan of 4 billion dollars to England and obtained a promise that the latter would undertake to negotiate a settlement regarding her debts to the Empire and Commonwealth. It was then understood that a considerable part of Britain's war debts in sterling was to be written off, that another portion was to be converted into a long-term obligation, and that only \$170,000,000 was to be refunded promptly. However, this understanding was not realized. Actually the British Government repaid to Pakistan, India, Ceylon, Egypt and Iraq, during the year ended June 30, 1949, not less than £210,000,000, or US\$800,000,000.

The recent crisis which preceded the devaluation came as a result of recognizing clearly that, even with Marshall aid, Britain was not able to maintain its social service, keep up a large military enterprise and give away goods and services to certain parts of Europe and Asia. The causes for her not meeting the understanding with America re debt-settlement with her sterling creditors were as follows: India, Pakistan and Egypt were in urgent need of assistance and had to be helped. Furthermore, by allowing these countries to

spend from their credit balances, a protective market was created in England which not only was profitable, but also was responsible for maintaining full employment for British labour.

Since Britain cannot finance the needs of her friends, America has to step into the breach. We saw that quite recently the United States, through the Export-Import Bank, granted some loans to India and is considering some further advances. This means that American industries are stepping in. While this is a natural development, it is bound to become harmful to the British worker. As things appear to-day, it would seem that the century-old dominance of Great Britain in Asia is steadily changing over to the United States of America.

Throughout the serious financial crisis in Britain America's attitude was at all times magnificent, unselfish and effective. It may take years before matters can be re-adjusted, but to all appearances America will continue to stretch out her helpful hand.

The nature of American help can be clearly gleaned from one of the decisions arrived at during the grave meeting at Washington, when inter alia Britain may now use Marshall funds to pay for wheat bought in Canada, where prices are much lower.

The recent conference was successful in yielding a palliative for a vexatious, difficult and critical state of affairs. A solution cannot be expected soon.

* * *

The Printing Process to be Revolutionised.

A new electronic device, promising to bring a new era of savings and efficiency, was publicly demonstrated on September 15. The system, when developed for commercial purposes, is expected to make obsolete the line-casting machines. The new machine involves a typewriter-actuated photographic type-composing machine, which produces photographic positives or negatives, without the use of type-metal required for conventional typesetting machines.

Nowadays newspapers are assembled on a narrow lead slug. Then the lines of type are inked; then the type is locked in a form of the size of a newspaper page, and then impressed on a mat in a chamber. The result is a lead printing plate in cylinder shape and containing the raised type letters.

The new device demonstrated recently eliminates many of these steps. Any competent typist can operate the machine, which has a standard keyboard. At the back of the typewriter there is a mechanism which owns a "memory". It stores up the letters until the complete line has been punched.

As soon as the typewritten line is complete, a second delicate mechanism takes over. The letters are taken electronically from the storage chamber and coded. With the speed of light, the

letters in code are transmitted to the decoding device, where the letters bounce out again in their natural form. They flash against an unexposed film and are photographed.

It takes only a few minutes to develop the film and engrave it on a printing plate, ready for the presses. All the intermediary steps are being eliminated. The system includes an automatic device that makes the lines come out even at the end. By a twist of a dial the operator can select any size of type he wishes. Certain letters can, when desired, be rubbed out in the storage chamber. The new machine is supposed to set 20 lines per minute; this is three times as fast as the conventional typesetting machines.

The inventors are two French scientists: Rene A. Higonnet and Louis Moyroud.

Strikes.

There were clear symptoms of a substantial recovery in America's industrial and business life, when optimistic moods were dampened by the outbreak of new strikes. How action by foreign nations can influence U.S. economics is evidenced by the fact that the recent pound devaluation cost the American film industry two million dollars. But this is a mere trifle when compared with the probable effects of the already prevalent coal strike, affecting 400,000 miners, and with the almost certain outbreak of a steel strike on September 24. Here 1,000,000 workers would be involved. Since U.S. Mediation Service Chief, Cyrus Ching, failed in his attempt to mediate between the industrial leaders and Philip Murray, Steel Workers Union head, some of the steel industrial leaders signaled to their plants to start an orderly shutdown of blast furnaces in preparation for the imminent strike. Such a shutdown is accepted as inevitable by industrialists, after Murray had delivered an ultimatum, demanding that steel concerns here and now grant the full pension and insurance benefits recommended by President Truman's fact-finding commission. Only a miracle can avoid the outbreak of a serious strike; or a new attempt by President Truman to present a formula of his own, as he did in the 1946 steel strike.

The two giant industries, coal and steel, when strikebound, are a most serious problem in themselves. However, the direct and indirect consequences on other American industries can scarcely be fathomed.

Perfection of Shale Oil Extraction.

As is known, America is blessed with a super-abundance of oil. In fact, at times there is far too much of it available, so that producing wells in certain districts have to be shut down from time to time, so as to streamline demand and supplies.

Nevertheless, the authorities in U.S.A. have adopted the precaution to be assured at all times of adequate supplies. In this endeavour they have now succeeded, thus being assured that they possess a reliable source of gasoline for centuries to come.

It might be recalled that the Japanese were working furiously at the Fushun (Manchuria) coal mines with

EXCHANGE & FINANCIAL MARKETS

EFFECTS OF STERLING DEVALUATION AND HONGKONG

In the sterling area which presumably still includes Pakistan (which Dominion has, for very good reasons, refused to follow the example of the British Government) the authorities are now preparing to 'freeze' commodity prices with the exception of those which cannot be 'frozen' and to prevent the salaried class and the wage-earners to obtain part or full compensation for the rise in the cost of living. It is these people who will have—at least that is the scheme—to bear the burden of increased cost of imported commodities and services from the US and other hard currency countries. Cost of living has already risen in Britain although the public does not yet feel it but the interval between prices based on costs before September 18 (Devaluation) and after that fateful date will be short.

Barring the rather unlikely decline in wholesale prices especially of such raw materials, foodstuffs and essential consumer goods as well as capital equipment which the sterling area cannot go without and which have to be obtained from the US and other hard currency countries, a rise in cost of living is inevitable. That means that savings lose part of their previous value and the commercial, industrial and government employees are bound to suffer to the same extent the cost of living rises. Whether the salary and wage earning sector of the population—in Britain, elsewhere in the sterling

area or in Hongkong—will tamely submit to a reduction in the standard of living, particularly when seeing that the American standard of living is maintained if not enhanced, remains to be seen. The depreciation of savings (which includes life and endowment insurance policies, and fixed interest bearing securities, government bonds etc.) is however a fact against which one may protest but no redress will be possible.

The hope nevertheless remains alive that the percentage of devaluation of sterling may prove, in the light of subsequent production achievements in the UK and the Commonwealth, as too high and that the rate will eventually improve, say, to US\$3. The devaluation of the US\$, within a year or two, is a possibility but this would not improve matters for the wage-earners or the holders of savings.

Nobody ventures to contend that the British decision was lightly taken—but that denials over denials were issued even at a time when devaluation had been decided upon by the Government is morally repulsive and cannot but bring official statements still into more disrepute. Obviously serious counsels urged on Britain to devalue sterling suggesting that this was one of the principal means to achieve balance of payments between the sterling and dollar areas. It is also immaterial whether the US Government have exerted undue pressure on Britain or whether the momentous decision was taken independently in London after consultation with the Commonwealth governments, suffice to know that it was considered absolutely necessary by the financial experts and authorities who do not shrink to be held responsible in case of economic deterioration and labour agitation following the devaluation of sterling. That however it is intended to 'freeze' wages and salaries while making a token and certainly abortive effort to check advance in prices of commodities (if imported entirely or partially from hard currency countries) shows some naivete on the part of the economic planners. This is no longer an age when such most unpopular methods can be adopted. That should be very clear especially to a Socialist government.

The local community has been living and will continue to live under entirely different circumstances than are the rule in other parts of the sterling area. Here operates a free exchange market and cost of living is attuned to the vagaries of this market, however, prices for the consumer are more strongly influenced by fluctuations in the markets of China. Cost of living here is therefore not likely to increase and may, if developments in China should turn favourable from an over-all economic viewpoint, even decline. Commodities from hard currency countries should not advance in terms of the local dollar as the free market US\$ rate has, by & large, remained after September 18 on the same if not lower level as was recorded here for the last five months (average).

the aim in view to produce shale oil from coal, so as to be independent from sources abroad. The Germans under their arch-soundrel Hitler also worked feverishly in a similar direction, utilising their and Austria's brown coal supplies for the purpose. While both did obtain results, these were by no means perfect or remunerative.

American officials state that oil from shale can now be produced as cheaply as petroleum. They estimate that the cost of a barrel will be between \$2.25 and \$2.50. It is announced that the single mass of Marlestone shale, a 9,000-feet high plateau covering 1,000 square miles (in Colorado), which the Bureau of Mines has tapped, contains about seven times more oil than the United States has used in all the 90 years oil was discovered in Pennsylvania. The plateau has 22 times more recoverable oil than the proven petroleum reserves of the entire United States.

Situated at 8,200 feet in the face of almost vertical brown, gray and black shale cliffs, even an atom bomb cannot damage this shale oil mine, unless it hits the cave-like entrance directly. The new product makes good gasoline and diesel oil and promises powerful new jet plane fuels. Refining still has to be perfected. The petroleum industry already is in. Standard Oil of New Jersey and Union Oil Co. each have their own experimental plants, with special methods of their own.

Government here has found it necessary to issue a price 'freeze' order but protests and objections are heard and arguments by importers and merchants generally are not unreasonable. There is simply not the apparatus here to check on all commodity prices and thus enforce the maintenance of prices as charged on September 17 (prior to sterling devaluation). Provided that the free market rate for US\$ will not differ widely from the present level there should be no reason to be apprehensive about a rise in prices. Cost of living has been already so high in Hongkong—a result of the free economy in which we had been living and shall enjoy to be living in future as well—that its further rise can be dismissed as improbable.

An important bearing on the behaviour of the local free exchange market have the enormous idle funds held in the Colony. Their owners have not overmuch confidence in sterling and largely worship the US\$, calculating everything in that currency or in terms of gold. The ups and downs of free market sterling in New York and European trading centres will influence greatly the movement of idle capital already in the Colony and expected to come here in large amounts after the Chinese communists establish themselves in Kwangtung.

To exercise some stabilising measure of control over the local free exchange market, the operation of a stabilisation board appears necessary. Conditions may, if only for a short span of time, favour another run on the HK\$ (as was witnessed last May after the gold bar here was suddenly imposed) and during such a period of uncertainty, uneasiness and rumour spreading much harm to the economic well-being of the community could be done. That Hongkong has been blessed with a free exchange market is appreciated here and abroad (often it is envy rather than appreciation) but the local authorities, assisted by the authorised exchange banks, could easily work out a scheme which should aim at the timely influence of open market rates whenever such is deemed advisable in the interest of the community at large.

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THE DOLLAR PROBLEM & STERLING DEVALUATION.

The main cause of the dollar problem is that the war destroyed the economic balance between North America and the rest of the world. North America increased its production enormously during the war and at the same time reduced its dependence on supplies from the rest of the world—for example the U.S.A. developed a huge new synthetic rubber industry. This lessens her need to import natural rubber. On the other hand the war left the rest of the world more dependent on supplies from North America. In nearly all parts of the world outside the Western Hemisphere the war damaged industry and transport and dislocated trade, while despite war casualties populations had increased

and needs were greater. In addition many countries had to sell their investments in North America and lost their dollar income. The result is that the demand of non-dollar countries for dollar goods and services far exceeds the demand of dollar countries for non-dollar goods and services, so the dollar is universally scarce.

Though the war brought the problem to a head the economic maladjustment has been developing for a long time. As the Chancellor of the Exchequer told the House of Commons in the debate on the economic situation in July, "... this difficulty of balance between the dollar and sterling areas had started to show itself before the First World War and was therefore, quite apart from its war-time acceleration, a deep-seated tendency with which we should in any case had had to deal at some time."

Britain had to sell or pledge much of her dollar investments to pay for war supplies before the advent of Lend-Lease in March, 1941, and so lost dollar income. Britain also had a substantial dollar surplus on other "invisibles" such as shipping services pre-war, whereas to-day there is a substantial dollar deficit on "invisibles."

Britain herself paid for only 27% of her dollar imports of goods with exports of goods to dollar countries before the war in 1938. The surplus on "invisibles" mentioned above was not nearly sufficient to cover this trade deficit. To-day Britain actually pays for a rather larger portion of her dollar imports with direct exports—36% in the year ending March, 1949. But the gap in dollar trade is still enormous.

Including their gold production the rest of the sterling area earned on balance a substantial surplus of dollars pre-war. To-day, like Britain, the rest of the Sterling Area has a dollar deficit. There are many reasons for this change. One is that some of the other Commonwealth countries are now importing considerably more from North America than pre-war. Others are that the dollar price of gold has remained unchanged and that of rubber has risen little from pre-war levels, whereas the prices of most other commodities—including those the sterling area countries buy for dollars—have at least doubled. Gold and rubber are among the sterling area's most important dollar-earning commodities. In the last few months furthermore, the American demand for these raw materials—and for U.K. and European exports—has dropped sharply, because of the American recession, and the sterling area's dollar earnings have therefore been abnormally low.

As a result of the world-wide post-war dollar shortage Britain is not able to convert into dollar surpluses she may earn in foreign currencies. On the other hand she pays in dollars (or gold) to settle the sterling area's deficit with certain foreign countries—notably Belgium and Switzerland. These dollar payments to non-dollar countries cost £42 million in the first half of 1949.

Though British companies are among the world's major oil producers the net dollar cost of oil to the sterling area is currently well over £100 million a

year. For instance a British company producing oil in the U.S.A. or Venezuela has to meet its costs in dollar whereas its sales may mostly be in the Sterling Area and Europe.

Marshall Aid is meeting a considerable part but not all of the dollar deficit resulting from the factors mentioned above. For 1949/50 Britain's share of dollar aid is provisionally fixed at about £240 million, compared with about £315 million in the first year of Marshall Aid. Against this the dollar deficit of Britain and the rest of the sterling area taken together is forecast at about £375 million.

On 14th July the Chancellor of the Exchequer announced that the U.K. would be working on the assumption she could not afford more than 75% of the 1948 level of dollar imports in 1949/50, while following the meeting of Commonwealth Finance Ministers the other Commonwealth Governments in the sterling area agreed to proceed on similar assumptions. With Marshall Aid planned to end in 1952 other and more constructive short and long-term measures to overcome the dollar problem are obviously necessary and it is such measures which were discussed between the U.S.A., Canada and Britain in Washington.

It was considered necessary, in the light of the latest deterioration of the gold and foreign exchange resources of the sterling area, as held in London, to devalue sterling against the US\$ and while the decision to do so had been arrived prior to the Washington financial conference, the announcement was made only on September 18. Sterling devaluation is, in the economic scheme of planning for the balance of trade and payments between the sterling and the dollar areas, one of the principal measures. Its success depends on stable commodity prices; rising cost of living may defeat the purpose of this momentous step of the British and Commonwealth Governments.

* * *

IMPORT LICENSING AND FOREIGN EXCHANGE CONTROL SYSTEMS & PRACTICES

Out of 85 countries and colonies—comprising most of the trading world—all but 8 either require an official license to be obtained as a condition of importation of many if not all products, or control the granting of the foreign exchange necessary for paying the supplier, or do both. Such a wide prevalence of these direct methods of regulating imports is unprecedented. Primarily, countries have been led to adopt such measures by the difficulties they have experienced, under the disorganized conditions following the War, in paying for all the imported goods for which there was demand, even by drawing upon their exchange reserves and other convertible assets, to supplement their earnings from the goods and services they could currently make available to other countries. These direct import controls are intended to help the countries conserve their limited foreign buying power for the products considered most

essential; check the drain upon their exchange or gold reserves; and support the foreign exchange rates of their currencies, pending the attainment of a closer balance in their international payments that will allow return to full convertibility of their currencies.

Summary of countries which require import licenses for many if not all products, or have restrictions on the furnishing of foreign exchange for commercial remittances:—

(In countries marked with *, the granting of the import license carries with it the right to the foreign exchange in payment. In those marked †, the import licenses apply only to limited lists of products.)

A. COUNTRIES OPERATING IMPORT LICENSES AND EXCHANGE RESTRICTIONS.

Continental Europe and Associated Oversea Territories: Austria, Belgium-Luxembourg*, Belgian Congo*, Bulgaria, Czechoslovakia*, Denmark*, Finland*, France*, French Indochina*, French Colonies*, Germany*, Greece*, Hungary, Iceland, Italy, Morocco (French and Spanish), Netherlands*, N. W. I. and Surinam†, Indonesia, Norway*, Poland, Portugal, Portuguese Colonies, Rumania, Spain*, Spanish Colonies*, Sweden*, Turkey, U. S. S. R.*, Yugoslavia.

British Commonwealth: Canada*, Ceylon, India*, Ireland†, Pakistan*, Union of South Africa, United Kingdom*, British Colonies and Dependencies*.

Latin America: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador*, Uruguay*.

Other Areas: Anglo-Egyptian Sudan, Saudi Arabia, Aden, Burma, China, Egypt, Jordan, Iraq, Israel*, Japan*, Syria and Lebanon.

B. COUNTRIES REQUIRING PRIOR IMPORT LICENSES BUT HAVING NO SEPARATE EXCHANGE RESTRICTIONS.

Europe: Switzerland†.

British Commonwealth: Australia*, New Zealand*, Hongkong.

Latin America: Mexico†, Venezuela†, Nicaragua*.

Other Areas: Korea, Liberia†, Philippines†, Thailand†.

C. COUNTRIES RESTRICTING EXCHANGE BUT REQUIRING NO PRIOR IMPORT LICENSES.

Latin America: Costa Rica, Honduras, Paraguay, Peru.

Other Areas: Ethiopia, Iran.

D. COUNTRIES OPERATING NEITHER IMPORT LICENSES NOR EXCHANGE RESTRICTIONS.

Latin America: Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Panama.

Other Areas: Hongkong, Tangier International Zone.

Import - License Systems:—Import quotas of the type common during the 1930's—when governments announced definite amounts of specific classes of goods which would be permit-

ted importation during the next quarter or half year, with a break-down of the total quotas into allocations for individual countries—are now the exception rather than the rule. "Quantitative restrictions" would be a better description of current practices of most countries in this regard, since they most often take one of these two forms: (a) The setting up of several categories of decreasing essentiality, with the commodities making up each group subject to frequent change. This is accompanied either by an indication as to the amounts or proportions of the total exchange availabilities that may be drawn upon for the different categories, or simply by a general announcement that preference will be given to licenses for the importation of the more essential classes of goods over the less essential. (b) The issuance of lists of the commodities which may not be imported unless a license has first been obtained—without establishing any definite priority among the various products under restriction. There is usually no advance indication as to the precise quantities or values of the individual commodities that will be licensed during a given period, except as quotas have been set in bilateral supply agreements with particular countries.

Relation of Import Licenses to Exchange Controls:—Since direct quantitative restrictions and exchange controls can be used by governments interchangeably for most purposes in the regulation of imports, they can hardly be treated separately. A government's choice of one or the other method of direct import control may depend merely upon which of its official agencies it prefers to have make the decisions as to how imports shall be administratively regulated. When governments restrict the quantities of goods to be imported as well as the granting of exchange to pay for them, as the majority now do, the basic decision as to how much of the country's available or prospective foreign exchange may be drawn upon during the period ahead for new imports is usually made by the National Bank or exchange-control authority (either as a whole, or for the broad categories of foods, or for different groups of countries), while the detailed decisions as among the individual commodities or classes of goods are made by the office issuing the import licenses.

In the countries of Europe and of the British Commonwealth but excluding Hongkong, the grant of an import license most often carries the authority to buy the necessary exchange for remittance when due. In the British areas and certain European countries, the import license carries not only the right to buy the necessary foreign exchange but also the assurance that it definitely will be available when due.

Allocation of Licenses:—Only in a minority of countries, notably the British Dominions, is it the practice to announce in advance the specific percentages of prior imports of the commodities under restriction that will be

licensed during a forthcoming period. The base is usually the year immediately preceding, or some other very recent period. The lists of products which require individual import licenses, or for which license applications will not be entertained, are often much more extensive for imports from the dollar or other hard-currency countries than for those from the sterling area or other soft-currency countries.

In general, most countries make no definite public announcement of allocations by countries, except where undertakings in bilateral supply agreements practically set such national quotas. However, in most countries of Europe, in all of the British Commonwealth, and in a number of countries in South America, definite distinctions are made in accordance with the relative amplexness of the exchange of the country in which the purchase is contemplated that is actually on hand, or that is being currently earned from the exports to that country or to others using the same currency. Import licenses or exchange permits are given much more sparingly for imports from dollar countries than from others.

In dealing with countries whose currencies are inconvertible, most governments are now consciously aiming to grant licenses more freely for imports from those countries where they have accumulated credits. The general objective in such relations is to avoid getting much out of balance in the bilateral interchanges of goods, or in the over-all balance of payments—which would include also services and capital movements. Governments want to avoid finding themselves obligated, either to draw upon the country's limited resources of gold or hard currencies to settle balance due the other country for excess imports, or to hold large credits in the form of unusable currency, when the other country cannot furnish desirable goods of equivalent value.

A limited number of countries, mainly certain British areas, try to apportion among individual importing firms the total amount of exchange expected to be available for new imports during a forthcoming period, or of the exchange available for importations from groups of countries using particular currencies. Most often this allocation among importers is in proportion to their participation in the import trade during an earlier period, usually a recent one, with some margin allowed for newcomers. In a few recent cases, the allocations have been related to the total invested capital of the respective firms.

Protective Element in Quantitative Restrictions:—Several governments have disclaimed any intention of using import restrictions that may be temporarily resorted to for balance-of-payment reasons as means of granting additional protection to domestic producers. On the other hand, many have frankly stated that, in choosing the commodities to be placed in the category of lower essentiality and therefore to be more

severely restricted of importation, they have taken into account the question: which ones could be replaced by similar products available from domestic production, even though they were not equal in volume or quality to the imported commodity. This has unquestionably been an important consideration in the import selectivity programs particularly of the less developed countries. The regulation of imports by quantitative restrictions lends itself to that purpose more readily than exchange control does.

It is often difficult to judge the relative importance in particular quantitative restrictions of the two principal motives, namely: (a) to conserve foreign exchange for the purchase of more essential imports, and (b) to foster the maintenance or expansion of local industries. Whatever the intention, however, it has been observed that, if continued for very long, the curtailment of competition resulting from such direct restrictions on imports has the effect of protecting and fostering local producers, and of building up, in the restricted lines, vested interests and price disparities which become difficult later to remove.

For the present, the aggregate volume of international commerce is running close to that of prewar, although the relative participation of the various countries is quite different, and, commoditewise, it is more heavily concentrated upon essential consumer goods, raw materials, and productive equipment. This high volume of trade is being temporarily sustained by the exceptional demand following the war for replenishment, reconstruction, and development, and by the fact that the purchasing power of many countries is being bolstered by grants and loans, principally from the United States.

It is when these exceptional import needs and financial aids taper off, however, that the full effects of the present widespread restrictive and discriminatory controls of international trade will be felt, unless there has been prior agreement among the nations for the concurrent liberalization of their trade controls and for a return to more open competition in the satisfaction of their import needs.

* * *

Official Exchange Markets

New official rates (agreed merchant rates of Hongkong Exchange Banks' Association) are published in this issue. The only alterations are: US\$ from 24¼ to 17¼, Canadian dollar from 24¼ to 18.15/16, and Pakistan rupee from 82¼ to 57. (The Philippine peso moved in accordance with the US\$ rate as the peso is linked to the US\$ at the rate of 50 US cents per peso).

Commercial banks adjusted their rates as from Sept. 20 when the market after one day's suspension was resumed. New selling rates for Canadian, Pakistan and Indian exchange were quoted from 21st, 22nd and 24th respectively. On Paris the new rate is at present 6025 francs per HK\$100

(from previously 6750) and on Zurich the new rate is 74¼ Swiss francs (from 106½) per HK\$100.

On Batavia the official selling rate was last week 65½ guilders (from 65.7/8) per HK\$100.

The new rates here are in accordance with changes recorded in world capitals following sterling devaluation of Sept. 18. The Canadian dollar was devalued in terms of US\$ by 10% (Can. \$1.10 per US\$) and the London/Montreal rate was lowered from 4.03 to Can. \$3.07 (thus making imports from Canada less dear than US goods).

The Pakistan rupee remained at the former exchange relation to the US\$ thus lowering the value of sterling; India, Ceylon and Burma—rupee countries all—devalued their currencies in line with London. The new Pakistan rates are:—one rupee equals 25.9d. or £1=Rs. 9.266; one rupee (Pakistan)

equals Indian rupee 1.44 (Indian rupee =0.69½ Pakistan rupee).

Portugal devalued the escudo in terms of US\$ by about 15%, the new rates being (old rates in brackets) per US\$ 28.75 escudos (24.95), per £ 80½ escudos (100½). Belgium devalued her franc by 12.34% against the US\$, the new rates being 50 frs. per US\$, 140 frs. per £.

US\$ Market

Devaluation of sterling became known in Hongkong on the morning of September 19 when the authorised exchange banks suspended dealings pending the fixing of new rates. The free market continued to operate as usual. As from Tuesday, Sept. 20, official exchange business resumed.

As a result of sterling devaluation the official rate of US\$ here advanced by about 44%, or conversely HK\$ de-

Hongkong Official Exchange Rates

In force as from September 24, 1949

AGREED MERCHANT RATES OF H.K. EXCHANGE BANKS ASSOCIATION

	Maximum Selling	Minimum Buying
<i>Sterling</i>	1/2 13/16	1/2 29/32 T.T. 1/2 15/16 O.D. 1/2 31/32 30 d/s 1/3 60—90 d/s 1/3 1/32 120 d/s
<i>Sterling (East & South Africa)</i>	1/2 13/16	1/3 O.D. if under L/Credit 1/3 1/16 O.D. without L/Credit 1/32nd up every 30 d/s
<i>Sterling (West Africa & West Indies)</i>	1/2 13/16	1/3 3/16 O.D. if under L/Credit 1/3 1/4 O.D. without L/Credit 1/32nd up every 30 d/s
<i>Rupees (India)</i>	82 1/4	83 1/4 T.T. 83 1/2 O.D. 83 5/8 7 & 30 d/s 83 3/4 60 d/s 83 7/8 90 d/s
<i>Rupees (Pakistan)</i>	57	57 3/4 T.T. or O.D. 57 7/8 30-60 days
<i>Rupees (Rangoon)</i>	82 1/4	All buying rates 3/16th higher than India.
<i>Rupees (Aden)</i>	82 1/4	83 7/8 O.D. if under L/Credit 84 O.D. without L/Credit 84 1/2 30 d/s & 60 d/s
<i>Malayan dollar</i>	52 11/16	53 5/16 T.T. & O.D. 53 7/16 30 and 60 d/s
<i>U. S. \$</i>	17 1/4	17 1/2 T.T. 17 9/16 O.D.—30 d/s 17 5/8 60—90 d/s
<i>Canadian \$</i>	18 15/16	19 3/16 T.T. or O.D.
<i>Philippine Peso</i>	34 1/2	35 T.T. or O.D.
<i>Australia</i>	1/6 3/8	1/6 13/16 T.T. 1/6 7/8 O.D.
<i>New Zealand</i>	1/2 13/16	1/3 1/16 T.T. 1/3 1/8 O.D.

N.B.:—No penalty to be exacted on forward sales for sterling.

preciated against US\$ by 30½%. The official rates for US\$ were fixed by the local exchange banks association as follows:—selling US\$17¼ per HK\$100 (or HK\$579.71 per US\$100), buying US\$17½ (or HK\$571.42) compared to official rates prior to Sept. 18 (Devaluation announcement) of respectively US\$24¼ selling and 25.1/16 buying.

The new official rate in London for TT New York is US\$2.80 which corresponds to a mean crossrate of HK\$573.21 for US\$100 (on the basis of the mean sterling/HK\$ rate of 1/2.55/64d. or HK\$16.05 per £). The actual mean rate is HK\$575.56 per US\$100 (on the basis of local agreed merchant rates).

On the free market quotations last week were as follows (highest & lowest in HK\$ per US\$100):—US notes 635—598, DD 630½—595, TT 632—602.

At the mean official rate in London (1s. 2.55/64d.) local crossrates of last week were US\$2.54—2.66. The local crossrate was accordingly lower than the official £/US\$ rate by 5% to 9¼%; the local free market rate was higher than the official mean rate (HK\$575.56) by 4.6% to 9.8%.

Free exchange markets abroad quoted unofficial sterling (area account sterling) as follows:—New York 2.70—2.75; Milan and Zurich crosses from 2.40—2.77, Paris crossrate 2.65—2.72. Pound notes sold in New York from 2.65 to 2.75.

Turnover on the local free market of last week: US\$5¼ million (TT 2¾ m., DD and notes 2½ m.).

Overseas Chinese remittances were heavy in volume but few recipients changed their drafts into HK\$ preferring, in view of the shaken confidence in sterling, to hold US notes. The holding and circulation of US notes are now more common than at any time before in the history of Hongkong. Manila and Bangkok merchants and overseas Chinese in these cities were small sellers of US\$, again preferring to hold on to US exchange and using it wherever possible for payment of obligations rather than change them into HK\$.

Gold importers remained quiet as their requirements have been covered some time ago and no new contracts for shipment to Macao have been entered into for several weeks past. Merchant demand was however active and is expected to remain so for a few weeks more as goods from the US and other hard currency countries have been ordered or are expected to be discharged here within a short while. Some speculative forward buying of

US\$ was noticed, merchants acting in the belief that the free market rate may show firmness and that therefore it was prudent to cover US\$ obligations before they are to be met.

Shanghai financiers and refugees in Hongkong were, on the whole, absent from the market; their wealth was always kept in gold and US\$ and only few held HK\$ balances. These people never believed in the stability of the local currency and took sterling devaluation for granted, discounting London Government statements to the contrary as 'rubbish'—thus showing more foresight than local residents generally.

Japan account US\$ remained firm and in short supply. Rates moved between HK\$7.20 to 7.65 per US\$ in Tokyo (SCAP-Hongkong two-way trading account). The premium over free market TT New York was thus between 15 to 20%.

Gold Markets

Sterling devaluation caused temporarily higher open market gold prices (for commercial or industrial gold of a .945 fineness) but the improved tone was not maintained and quotations returned to their previous relation in terms of US\$. The official gold price appreciated by about 44%, from HK\$138.958 per fine oz troy to about HK\$200 (one HK\$ fixed gold content remains at 0.223834 grams of fine gold). The London gold price advanced, in line with the higher US\$ price, from 172s. 3d. to 250s. equalling US\$35 at the new official exchange rate.

Last week's highest & lowest prices, in HK\$:—per .945 fine trading (hong-ping) tael 365—320, corresponding to prices for .99 fine tael 382.38—335.23, or .99 fine troy oz 317.80—278.60. Gold cross rate US\$50.30, high, 46.30, low. The local gold cross is from 32% to 43% higher than the US Treasury buying price (US\$35). Last week's industrial gold prices were from 39% to 59% higher than the official gold price (HK\$200 per fine oz).

Tight money plagued gold dealers and speculators as commercial banks called in loans secured on gold and refused to advance money on gold. Native banks and private lenders—often with the support of certain commercial banks in the Colony—continued to accommodate borrowers with gold and US\$ holdings but interest rates were higher (1 to 1½% per month). An important price stabilising influence was the temporary suspension of Central Bank of China, Canton

office, sales of gold to the public. The trading position and high stock figure did not undergo any change.

Exports are difficult when other than .99 fine bars are offered and these bars command a premium over the local market price (last week about \$10 to 12 were paid for such bars in excess of the calculated .99 fine oz price). To rectify this situation the Gold Exchange has called upon its members to adhere strictly to trading in gold of the legally permissible fineness (.945) but to see to it that no lower fineness is turned out. During recent weeks several gold exports were found out, when arriving at the port of destination, to contain a slightly lower percentage of fine gold than contracted for and as a result Far Eastern buyers are now reluctant to do any business except on the basis, as before, of .99 fine bars.

Trading reports of last week:—

Monday, September 19:—Opening and closing rates 3320—332¾. On the fictitious forward market the change over favoured sellers at the interest rate of 45 cents per tael per day. Throughout the week, the change over rates continued in favour of sellers. The opening rate 320 was the lowest of the week. News of the official devaluation of the Pound Sterling forced the bears to cover and the highest rate of the week was recorded at 365. Later profit-taking bulls unloaded and the market eased off.

Tuesday, September 20:—Opening and closing 341—331½. Change over 19 cents. Market ruled uncertain, with bears and bulls liquidating their positions.

Wednesday, September 21:—Opening and closing 330½—346. Change over 19 cents. News of the possibility of raising world gold prices stimulated the market.

Thursday, September 22:—Opening and closing 345—349¾. Change over 52 cents. The Central Bank of China ceased selling gold in Canton as a result of imports of silver coins having arrived. Canton operators were good buyers of gold, locally and from Hongkong.

Friday, September 23:—Opening and closing 348—344¼. Change over 52 cents. British banks insisted that customers were to repay the loans on mortgaged gold. Money ruled tight and the high change over induced selling.

Saturday, September 24:—Opening and closing 342—341. Change over 52 cents. Continued tight money caused the market to ease. In the unofficial afternoon market some small business transacted at 342.

During the week under review, official tradings totalled about 238,500 taels, daily average almost 40,000 taels. Increases were mainly caused by the liquidations of bulls and bears on the news of the devaluation of Sterling. Positions were reduced, estimated to be about 165,000 taels per day, in which interest hedging forward operators, gold importers, Swatow and Canton operators were on the oversold side, Shanghai and local operators were overbought. Cash bars turned over

HONGKONG OPEN MARKET RATES
per US\$100

September	Notes		Drafts		T.T.	
	High	Low	High	Low	High	Low
19	6.20	5.98	6.05	5.95	6.10	6.02
20	6.20	6.07	6.08	6.03½	6.10	6.05
21	6.34	6.10	6.26	6.06	6.28	6.09
22	6.35	6.22½	6.30½	6.20½	6.32	6.23
23	6.30	6.22¼	6.25½	6.20	6.27	6.24
24	6.28	6.20	6.22½	6.19½	6.23	6.21½

officially 7,970 taels, unofficially over 41,000 taels, totalling 48,970 taels.

During the week under review, a total of over 18,000 taels were imported, of which 12,000 taels were from Canton, 5,000 taels from Macao, and 1,000 taels from North China. About 12,000 taels exported, with details:—India 5,000 taels, Bangkok 3,000 taels, Singapore 3,000 taels, Taiwan and Hainan 500 taels each; these were all in .99 fine bars.

Ready delivery stocks remained unchanged from the week before, estimated to be 335,000 taels. Local consumption for ornaments was about 6,000 taels. Over 30,000 taels changed hands by interest hedging forward operators. A member of the gold exchange, the Pao Sang bank, bought and received this 30,000 taels on behalf of the People's Government in North China.

On Monday, with the sudden big appreciation of prices, only one member of the Exchange, the Yan Yui bank, was in difficulty, but eventually was able to pull through.

Silver Markets

Silver in London was appreciated in line with US\$ and gold but the New York market price remained unaltered. London quoted in August and September—prior to devaluation of sterling—both for spot and 2 months' forward 43½ to 44½d. per fine oz. (.999 fine) and the new price has been fixed at 64d. which is, at the new London/New York exchange of US\$2.80, corresponding to 73½ US cents per oz. During August and Sept. the free market silver price in the US (foreign silver) advanced from 71½ to 73¼ cents. The London market price for so-called essential and exportable silver was always much higher than the domestic price, during recent months around 57d. After the new fixing of silver to 64d. the essential silver price has declined and is now 62¾d. per .999 fine oz.

Local prices of last week, in HK\$:—per tael 4, per fine oz 3.62—3.65, per Hongkong, Mexican and Australian dollar coin 2.70, per Chinese dollar coin 3.05—3.30, per 20 cents coins (five pieces) 2.80.

Business was small, totalling in value about HK\$250,000. Sterling devaluation had no effect on the market; recently, prices were far higher than New York paid and trade was practically non-existent. The large quantities of silver, in bars and coins, imported and then shipped to China had nothing to do with commercial business as they were entirely carried out on account for and by the Chinese KMT government. Hongkong has always traded silver on the basis of the New York market price and when commercial exports to London were effected payment was made, although in sterling, on the basis of the free market price in the US.

Canton is doing a flourishing silver coin business with about one million coins daily sold. Prices declined in terms of HK\$ and a further reduction in price of the Chinese coin to the level of foreign coins of equal silver content is anticipated.

Silver Imports & Exports

Silver trade in July:—Imports of silver in bars or ingots totalled 856,296 ozs of a value of \$3,458,500, arriving from the UK (796,296 ozs at \$3,188,500) and from North China (60,000 ozs at \$270,000); imports of silver coins totalled 2,761,760 ozs valued at \$10,000,394, from the UK (856,500 ozs at \$3,415,394), Central America (753,260 ozs at \$1,785,000) and the USA (1,152,000 ozs at \$4,800,000). Total imports in July: 3,618,056 ozs valued at \$13,458,894.

Exports of silver in bars or ingots totalled 1,251,618 ozs valued at \$4,920,543, shipped to North China. Exports of silver coins totalled 2,157,920 ozs at 7,860,000, shipped to North China (926,720 ozs at \$2,940,000) and to South China (1,231,200 ozs at \$4,920,000). Total exports in July: 3,409,538 ozs valued at \$13,780,543.

Silver trade in August:—Imports of silver in bars or ingots totalled 2,160,060 ozs valued at \$8,615,900, coming from the UK (1,924,060 ozs at \$7,710,900), Malaya (30,000 ozs at \$81,000), Burma (56,000 ozs at \$224,000), and France (150,000 ozs at \$600,000). Imports of silver coins totalled 6,529,804 ozs valued at \$18,604,000, coming from the UK (297,500 ozs at \$988,800), Central America (433,904 ozs at \$1,116,000), and the USA (5,798,400 ozs at \$16,499,200). Total imports of silver in August: 8,689,864 ozs valued at \$27,219,900.

Exports of silver in bars or ingots totalled 1,622,706 ozs valued at \$7,959,181, shipped to North China (1,499,836 ozs at \$7,499,181) and to the USA (122,870 ozs at \$460,000). Exports of silver coins totalled 15,023,764 ozs valued at \$60,107,560, shipped to North China (2,859,364 ozs at \$11,464,160), to Central China (1,350,000 ozs at \$5,400,000) and to South China (10,814,400 ozs at \$43,243,400). Total exports in August: 16,646,470 ozs valued at \$68,066,741.

Exports in July and August were shipped by the Nationalist Chinese Government (mostly airlifted) who purchased abroad both silver metal and coins, the first for minting dollar coins in China, the latter for defraying payment to government servants, the army and for the redemption of silver certificates circulated among the public. The only commercial export was recorded when 122,870 ozs of silver in bars was shipped to the USA, thus marking the resumption of silver shipments to New York which had been interrupted, on account of excessively high prices prevailing in China and Hongkong, for many months past. Unrecorded imports of silver, mostly in coins, continues as before but the volume is smaller than in spring this year.

Chinese Exchange Markets

The Bank of China in Shanghai and Tientsin raised the official TT New York rates to respectively PB\$3400 and PB\$3600. Other foreign exchange rates remained unaltered. Sterling devaluation had been discounted long ago as the official rates in China (both of the communist and nationalist governments) always quoted crossrates approximating the black or unofficial markets, i.e. sterling was usually at a cross of US\$3 but mostly below 2.80.

Last week's black market rate was PB \$4000 for one U.S.\$, about 15% higher than the official rate.

Local business with China was done as follows:—Shanghai transfers of gold and US\$ at rates of 940—925 for gold and 860—835 for US\$ in Hongkong per 1000 in Shanghai, total turnover about HK\$350,000.

Canton transfers totalled HK\$3½ million, at rates 998½ to 995 here for 1000 in Canton. There was a considerable backflow of HK notes to the Colony stimulated by sterling devaluation and civil war developments in South China. Individuals carried about HK\$5 million in notes from Canton to Hongkong. More HK currency notes will in due course return to the Colony.

Swatow remittances were quoted at par, sales were small. Amoy remittances quoted 2 to 5% in favour of Hongkong but business practically nil as the war engulfed this port.

Central Bank of China in Canton sold only 15,000 taels of gold having otherwise ample supplies of silver coins to keep up payments. Silver certificates quoted at par with coins.

The first large transaction by the financial authorities of the People's government in North China was reported in the market when over 30,000 taels of gold were purchased by the native bank firm of Pao Sang on their behalf. The People's Bank of China disposes of considerable amounts of foreign exchange and also gold partly acquired from the public who were, as regards exchange, obliged by law to surrender their funds against PB\$ at the official rate, and partly earned from export proceeds of merchants and the state-trading corporations. It appears that the changing of HK\$ into gold was caused by apprehension about the future stability of officially devalued £ and HK\$.

Unofficial Exchange Rates

Highest & lowest rates for bank notes, in HK\$:— Piastres, forward, 12—11.70, spot, 12.65—11½. Nica guilders 25.20—19 (Java Bank guilders 18). Baht 27—26½ (small notes 25½). (Per 100 currency units).

Bank of England note 15.40—14. Australian pound 12.25—11.70 (official rate 13.06 selling, 12.75 buying). Canadian dollar 5.60—5.32. Malayan dollar 1.83¼—1.82 (official rate 1.8979 selling, 1.8757 buying). Indian rupee 1.20½—1.16½. Burmese rupee 0.72½—0.70 (official rate 1.2158 selling, 1.1985 buying). Ceylon rupee 1.02—1. Philippine peso 3.01—2.85.

Hongkong Stock & Share Market

Sterling devaluation brought a short-lived upswing in the market but it proved a flash in the pan within a few days. Some better tone was nevertheless noticeable not as a result of the action taken by the British Government in lowering the exchange value of the pound sterling but consequent upon a more sober appraisal of the developments in China and continued good working results of local companies.

That sterling was devalued has been adversely commented upon and the consensus of opinion here is that it was, if necessary at all, a premature step. The officially presumed good effects it may have on the economy of Britain are not convincingly outlined by the British Treasury while the possibly negative results sterling devaluation may bring in its course are glossed over in London. One has to maintain however calmness and a show of unperturbed assurance about the beneficial outcome of the great experiment on which the British people, willy-nilly, have been launched by their supposedly wise government. Adverse publicity may do some harm and undermine confidence—which is at any rate a very susceptible matter.

Hongkong companies' earnings will not be affected by the expected price rise in selected commodities; what higher outlay there is, for instance on imports from countries whose currency has appreciated in terms of sterling, will be the duty of the public to shoulder. Profiteering, i.e. in the present case the additional advance in prices for commodities which would cost more importwise, will probably not scourge the local citizen not only because of increased watchfulness of Government here but, much more effective in the end, on account of the sound business policy of management of most local public companies. With earnings remaining unchanged there should be no incentive for a rise in share quotations. Only a more optimistic attitude taken here with regard to developments in China can result in a general advance in rates and a subsequent reduction in the present yield level. There is nothing to complain about profits and their distribution and in this direction shareholders and prospective investors should feel reassured about the future.

That the secretiveness of most local company boards of directors is not conducive to further attraction of capital has been often stressed; unfortunately no change for the better has been noted, no interim reports are released and indications of progress or otherwise of local public companies' business remains as before a matter of behind the screen whispering and tip-offs. Another unsatisfactory aspect of local companies' affairs which affects investors vitally is the deterioration in management of a good many firms. As long as the boom is on the shareholding public may not find any reason for complaint—earnings are high and dividends satisfactory; but the time will surely come when a recession will set in and then more economical housekeeping will have to be the order of the day. It is the duty of company directors to right matters now and appease the as yet less audible murmur of shareholders.

The late Mr. Ellis' averages showed last week the improved sentiment of the market which comprised most securities. The price index opened Monday at 126.73, reflecting the buying spree induced by the sterling devaluation, and closed Friday at 125.94 which was slightly above the previous week's closing of 125.16.

No new stimulation, one way or the other, was derived from the civil war situation in China. The Chinese red army is approaching Kwangtung and has almost taken Amoy, the KMT ruled territory is shrinking. Reports from British and American sources however are sometimes prone to cause some alarm here; although not too much importance should be attached to the various speeches of politicians abroad who elaborate on the 'China problem' according to their own usually limited sources of information and ability to absorb and correlate such information, it is nevertheless disturbing to read that

Hongkong is supposed to be in danger or that it has to be returned 'ultimately' to China, and other more or less sensational fare for the jaded appetites of American, British, Australian and other newspaper readers. Some investors here, jittery by nature and always on the jump to put away their nest eggs in more placid areas, huddle together when foreign press reports of the uninformed but sensational type arrive here and then they start once again to scour the horizon for an escape from the disaster which is so freely predicted.

Business of last week:

Volume of Business:—Total sales reported amounted to 80,560 shares an approximate value of \$2¾ millions, an increase of \$1¼ millions compared with the previous week.

Price Index:—The Felix Ellis averages based on the closing prices of 12 active representative local stocks closed at 125.94 for a net gain of .78 compared with the close of the previous week. Day-by-day, averages were:

Sept. 19, 126.73; Sept. 20, 126.63; Sept. 21, 126.50; Sept. 22, 126.35; Sept. 23, 125.94.

	High	Low
1947	155.82	123.88
1948	148.68	134.05
1949	138.37	123.32

Dividends:—

The Directors of the Sungei Duri Rubber Estate Ltd. have recommended a dividend of \$1 per share, free of tax, for the year ended 30th. June 1949.

Business Done:

Hongkong Govt. Loan:—Hongkong Govt. 3½% '48 @ 100¼, 100½, Banks:—H.K. Banks @ 1530, 1550, 1560, 1550, 1560, 1575, 1560, 1550; Bank of East Asia @ 114.

Insurance:—Unions @ 685, 680, 675.

Shipping:—H.K. and M. Steamboats @ 11.

Docks, Wharves Godowns, Etc.:—H.K. & K. Wharves @ 105; H.K. Docks @ 17½, 17.

Hotels & Lands:—H.K. & S. Hotels @ 11, 10¾, H.K. Lands @ 46, 48, 49, 50, 49, 49¼; Shanghai Lands @ 1.90.

Utilities:—Hongkong Tramways @ 16½, 17, 17½, 17.20, 17, 16.80, 16¾, 17, 16¾, 16½, 16.30, 16.10, 16; Star Ferry @ 100; China Lights (O) @ 12½, 12.30, 12.20, 12½, 12.30, 11.80, 11.70, 11.80; China Lights (N) @ 9½, 9.60, 9½, 8.60, 8.80, 9, 8.60, 8.55; Hongkong Electric @ 33, 32½, 32, 31¾, 31½, 31; Macao Electric @ 20½; Telephones @ 19.70, 19¾, 19½.

Industrials:—Cements @ 19½, 20, 20½, 20¾, 20½, 20.40, 20½, 20, 19¾.

Stores:—Dairy Farm @ 40, 40¼, 40, 38; Watsons @ 44, 44½, 45, 44½, 43½, 43.

Cottons:—Ewos @ 4½.

Rubber:—Rubber Trust @ 2½.

Japanese Foreign Exchange Rates and Problems

The official exchange rate for the Yen was fixed at Yen 360 to US\$1 (Yen 100—US\$0.278) and is applicable to all approved foreign trade and financial transactions as from April 25, 1949. The official exchange rates for the currencies of principal trading partners of Japan were as follows:—

Great Britain (pounds)	1,450.80
Canada (dollar)	360—
Australia (pounds)	1,160.64
Egypt (pounds)	1,487.88
Holland (guilders)	135.70
India (rupees)	108.81
Philippines (peso)	180—
South Africa (pounds)	1,450.80

As from September 19, following sterling devaluation, the rate of the Yen in terms of pound sterling has been reduced to 1008. The official crossrate in Tokyo is US\$2.80 per £.

Japan is now in a position to purchase from the sterling area at lower yen cost and its export proceeds are bound to bring in a higher value in terms of Yen. Trade with the sterling area should be stimulated especially more imports into Japan. There is however influential opinion in Japan which holds that the devaluation of yen from the present 360 yen per US\$ to at least 450 yen is necessary for the promotion of Japanese exports. SCAP is studying this problem caused by sterling devaluation. It is taken for granted that the yen will be lowered in value relative to the US\$ and will be increased in value relative to the present exchange rate of sterling.

Hongkong Real Estate Market Position

GOVERNMENT REQUISITIONING AND DECLINE IN NEW CONSTRUCTION

Developments in Realty in Hongkong in the last four months have been completely overshadowed by Government requisitioning on behalf of the Services. Few, if any, complaints on the necessity of the Services obtaining certain buildings and accommodation have been voiced as it is obviously impossible to accommodate a force of the size of that present in Hongkong today without disturbing to some extent the life of the local community.

Such murmurings as there have been might never have occurred had the public been kept informed of the tremendous effort the Services are making to provide their own accommodation. This will become more obvious during the next few months.

It is, nevertheless, true to say that the vast majority of proposed new civilian building schemes have been stopped for the time being, purely and simply because of a fear that the buildings might be requisitioned and inadequate compensation paid. It would be extremely interesting to read a reply which the Hon. Colonial Secretary might now give were an Unofficial Member of the Legislative Council to raise once more this question of requisitioning. On the last occasion (20th July) Government suggested that, in spite of requisitioning, building was proceeding apace throughout the Colony; nevertheless, it is considered very doubtful whether the Colonial Secretary can now produce figures to show that there has been no reduction in the number of plans submitted for approval during the last three months as compared with either the same period last year or with the preceding three months.

It is understood that Government are reluctant to make a statement to the effect that they will not requisition any more property for fear that they might find at a later date further troop reinforcements are despatched to Hongkong and they are therefore forced to go back on their word. On the other hand, Government has already indicated that they hope it will not be necessary further to requisition flats in Hongkong and Kowloon, though, as stated above, they are not prepared to give a guarantee to this effect. The net result is that large blocks of flats which would by this time have been started, particularly in Kowloon, are not being proceeded with. It also means that, compared with a few months ago, the civilian population is much worse off from an accommodation point of view, for not only have a certain number of flats, predestined for them, been requisitioned by the military but replacements will not be forthcoming.

This state of affairs affects not only the wealthy members of the community, who would be prepared to pay large sums by way of rent and construction money, but the pressure for accom-

modation is eventually felt even by the most humble member of the community, who finds the cost of his cubicle advancing accordingly.

It is probably no exaggeration to say that no single factor affects the community in Hongkong today as much as the housing shortage. The efforts of Government, through price control and other agencies to reduce the cost of living in Hongkong, are rendered almost futile by the high rentals obtaining in the Colony today, and second only in importance to the defence of the Colony this problem should be subjected to the closest possible examination by Government and the enquiry followed up by early action.

There are two comparatively simple methods, it is suggested, whereby Government, without undue difficulty, could alleviate greatly the situation. The first is to announce speedily the terms on which requisition will be carried out and to ensure that the compensation and payments made for requisitioned property are substantial and approximate to the market value today. If this were done, the current fear of requisitioning, conjuring up as it does in the minds of property owners arbitrary treatment and inadequate remuneration, would disappear, and at least the bolder section of the building trade would be prepared to carry on with their programmes, though the more timid members may prefer to wait for something even more concrete by way of an official announcement. Should the obtaining of the required finance from the Home Government, in order to provide adequate compensation, prove an obstacle, it would not be unreasonable for the Hongkong Government to subsidise these payments and, if necessary, reimburse themselves by a small increase in property tax, thereby spreading the effect of requisitioning from the individual landlord to the landowning community in general.

The second method suggested is that Government should announce, particularly where flats are concerned, that as far as all new plans submitted to the Public Works Department are concerned, Government will retain the right, if necessary, to take over, say, 10% or 20% of the flats built, leaving the remainder free. This should not prove too great a stumbling block, particularly if builders know how much Government is prepared to pay them for those flats. If, as at present envisaged, the Services may not require many more flats, the local Government will have potential and growing reserves of accommodation upon which to call in the event of there being any increase in the number of troops coming to the Colony. It is felt certain that on this basis the Government could have at its disposal far greater facilities than it will ever obtain under the present arrangements, for if, as is oc-

curring, practically no new buildings are erected, and should Government find themselves in desperate need of more accommodation, they will have to resort to the extremely unpleasant and equally undesirable course of evicting the present tenants for whom no alternative accommodation exists.

It is believed that, apart from the possible arrival of further reinforcements, Government's reluctance to make a definite statement is at least in part due to their fear that they may be presented with a crisis and that they would not wish in these circumstances to have their hands in any way tied. Against this, however, Government must realise that no-one expects them to bind themselves as far as their actions in any future emergency are concerned, as such a course is, obviously, impracticable. Moreover, no such assurance is required, for it is often in a landlord's interest to have his property requisitioned in an emergency as he is thereby relieved of much of the risk involved in such times. The present time, however, cannot, from this point of view, be regarded as an emergency and, therefore, as pointed out earlier, a policy covering current conditions is necessary.

One thing is certain and that is that to allow the present situation to continue is wholly detrimental to the best interests of the community, including the Services, and may well lead to even greater inflation in the Colony in the coming months.

Hongkong Industrial Reports

Factory Registrations

During the month of August a total of 37 applications (7 on the Island and 30 in Kowloon and the New Territories) for registration of factories and workshops in the Colony was received by the Labour Department of Government, 3 applications were refused (1 on the Island and 2 in Kowloon) and 20 registration certificates were issued (4 on the Island and 16 in Kowloon & N.T.); 13 registration certificates were cancelled (7 and 6). This brings the number of applications received from January to August of this year to 279 (116 and 163), of applications refused to 27 (7 and 20), of certificates cancelled to 137 (34 and 103), and of registration certificates issued to 148 (40 and 108).

At the end of August the number of factories and workshops registered in the Colony since January was 961 (258 on the Island and 703 in Kowloon and the New Territories).

Of the 37 applications received during August, the following were in Hongkong: 2 laundries, 2 bean curd mills, and 1 each printing, soap and mantle lamps; and the following in Kowloon & N.T.: 7 knitting mills, 5 metal wares, 3 weaving mills, 4 engineering works, and 1 each electro plating, dyeing, buttons, plastic wares, enamel wares, rice mill, bakery, ice cream, noodle, preserved fruits and perfumery.

Hongkong-made Rubber Shoes and the Philippines

Manila manufacturers have awakened to the fact that the Hongkong factories are undercutting them in rubber footwear, and import regulations have been introduced to protect their industry. Import quotas are at present granted to Hongkong exporters, but only on the basis of those who were exporting to Manila prior to the introduction of the new regulations, and these quotas will be gradually reduced until the home output is considered sufficient to meet the demand, when the quotas will be cut entirely. That the Hongkong-made article has been highly competitive with other makes is shown in the average prices: US rubber shoes sold at P.10 in the Philippines, the Manila make at P.5 and the Hongkong shoes at P.4 in spite of having to pay duty equal to that on the US importations.

The Philippines are an important if not large market for rubber footwear made in Hongkong, and its loss will be felt. From January to April exports amounted to 640 dozen pairs of rubber shoes to the amount of HK\$46,500, or 13% of the value of exports to other countries excluding the United Kingdom.

In the Philippines they have several factories for making rubber footwear and the average production amounts to around 2,000 pairs per day, but this was not sufficient to cover demands, for which reason imports were permitted for a time. With the protection given under the recent import regulations, new factories are being established and it should not be long before output reaches a satisfactory figure. The canvas and chemical powders required in the manufacture of the shoes are obtained from the USA, while smoked and crepe rubber are imported from Malaya, the home-grown smoked rubber from Iloilo as well as imports from America being too expensive; a certain amount of smoked rubber is also obtained from Hongkong.

A difficulty faced in the Philippines is the lack of skilled labour and of the efficient organisation that enables the Hongkong manufacturer to place a cheaper article on the market than can be made there, but in time this will no doubt be overcome.

Torch Lights

The local manufacture of torch lights is showing steady progress. This comparatively new industry, at least on a large scale, is to be congratulated on the progress made. Exports before the war, that is in 1939, amounted to \$5,279,121 in value; in 1946 the figure was \$8,321,295; in 1947 exports jumped to \$17,314,179 and in 1948 exports rose to \$19,144,475 in value. It is also anticipated that the results of the current year will be equally satisfactory. During the first six months January-June of this year, exports amounted to roughly 211,000 dozen making an monthly average of 35,185. The total monthly output being around 60,000 dozen.

COMMERCIAL MARKETS

JAPAN'S RESUSCITATION.

The gradual return of Japan as a competitor in world markets is becoming more and more an accepted fact but a great deal of discussion is still being held in industrial circles immediately affected by Japanese revival as to the extent to which she can advance at least for some years to come.

It is obvious that the American administration in Japan is working towards the country's rejuvenation and restoration which can only be achieved through a steady industrial advance. There is no alternative course open, as in view of the fact that Japan is not self-supporting the one hope of survival lies in a return to world markets. Discussion can therefore only hinge upon how long it will take before Japan becomes a serious competitor or whether her industrial progress could possibly be sufficiently tempered to prevent her once again becoming the threat industrialists abroad so plainly fear.

Japan, in spite of the previous war activities, has equal rights with other countries for a place in the industrial sun,—to revive a phrase which died of inanition during the war and its post-war situations. These rights, however, should not include the right to undercut other countries by exploiting the worker as practised during pre-war years; and it is interesting to learn that the American authorities are doing their utmost to guard the rights of the individual not merely from the competitive point of view but rather as a barrier against communism. No other discriminatory regulation could be enforced to hamstring progress for the simple reason that any such regulation would be tantamount to direct preferential treatment in favour of American or other interests and would thereby encourage discontent and its attendant political trends.

India and Pakistan are the two principal markets for this Hongkong commodity and manufacturers here have wisely adapted themselves to the needs of these markets by using brass bodies in lieu of the ordinary metal and although the cost is slightly heavier the factory price has shown a reduction of 20% on previous quotations.

Fire Brick and Red Brick

Although brick factories in Hongkong have been producing over 2 million bricks per month the demand could not be met and even today when construction needs have decreased production is still unequal to the demand. As a result no forward bookings have yet been made. The present price for fire brick is 90 cents per piece and red brick is sold at \$1,400 per 10,000 pieces thus showing something like a 900 per cent increase over the pre-war figures. The present supply is also further curtailed by the falling off of cargoes from the North and West rivers in Kwangtung because of piracy.

It is already clear that the door being opened to trade Japan's disciplined and industrious people are rapidly building up what was lost. As mentioned in another column, exports for the whole of 1948 totalled US\$258 million,—a figure which was exceeded during the first six months of this year by US\$6 million (in 1946 the total amounted to US\$103 million). It is true that imports which give the Japanese Government their biggest headache, totalled US\$682 million during the whole of 1948 and for the first half of this year amounted to not less than US\$491 million. Japan is faced with the difficulty that practically all immediate necessities both in raw materials and foodstuffs have to be imported but though this difficulty may act as a brake on Japan's advance it is a difficulty shared in greater or lesser degree by the majority of countries and can therefore be largely discounted in a general survey of Japan's progress in relation to that of other countries.

The American administration is aiming at making Japan safe for democracy and it is realised that only a prosperous country or a country well on the road to recovery, can be considered "safe". Democratic ideals and methods are, as a result being indoctrinated—to use an unpleasant but useful word,—into officials and managerial groups, not by the Russian method of lectures, persuasion and fear, but by example. It is thought that on the whole the result is encouraging and there seems every possibility or at least a growing assurance that when General MacArthur finally hands over the reins completely to the Government, Japan will be so far on the road to regaining a stable position in the Far East and in world markets generally that democratic ideals will be proved to be sufficiently satisfactory for her people to adhere to.

Many foreign merchants in Hongkong and elsewhere, who happily seized the opportunity offered them by Japan's complete elimination following the immediate postwar years to establish factories, may now regard her industrial advance with some trepidation. The situation is already such that they must look well to their methods in so far as efficiency and reasonable costs are concerned, as they can only hope to hold the position they have acquired during these years of respite by their ability to meet an inevitably keen competition, the first rumbles of which are already distinct.

Price Freezing in Hongkong.

As a result of a rise in prices of some of the commodities dealt with in Hongkong following the devaluation of the pound sterling against the US dollar, and with a view to preventing exploitation of the situation, the Hongkong Government has issued an Order prohibiting unlawful increases whether wholesale or retail above the prices prevailing as at September 17. However, dealers are not unduly perturbed by this ruling, as apart from one or two items which are notoriously subject

to the manipulations of speculators, on the whole very little in the way of increased prices could be traced to speculation in the few days preceding the issue of the Order. It is felt that the pound sterling having fallen practically to the level of the open market rate ruling before devaluation will probably stabilise itself at this level; moreover, buyers on the whole are refusing to pay increased prices, contending that the market should show a downward tendency.

Hongkong Exports of Medicinals

Declared exports of medicinal preparations from Hongkong to the United States during the first 3 months of 1949 consisted of menthol, 12,000 pounds, valued at \$86,739; and "Chinese medicines," 85,603 pounds, valued at \$110,603.

Cotton Yarn Situation in Hongkong

As local Government stocks of yarn are still high and can only be disposed of below cost price the import of Indian cotton yarn has been embargoed here as from Sept. 1, the intention being to induce local knitting and weaving mills to purchase the Government stocks after which imports of cheaper foreign yarn will be re-admitted. The local textile industry is opposed to this embargo on Indian yarn contending that production is increased in cost by this measure. If one compares the prices of Indian cotton yarn (per 400 lb. bale) with those of the Government stock and those in the free market in Hongkong, the difference appears impressive:—

Counts	Indian (cif H.K.)	Government Stock
	\$	\$
10's	680	810 to 1,100 (Chinese)
20's	920	1,120 to 1,250 (Italian)
	950	1,300 (Chinese)
		1,325 (Japanese)
32's	1,200	1,440 to 1,700 (Italian)
		1,700 (Chinese)

If Indian yarn is used, local manufactures will be 100% British in its costing, whereas if knitting and weaving mills have to use Hongkong yarn or Government stock (comprising only Japanese, Italian and Chinese yarn), only about 60 and 30 per cent could be obtained. At a time when the British Government is endeavouring to maintain the system of Imperial Preference, a maximum percentage of Empire Contents should be encouraged.

Indian cotton yarn is allowed to enter Hongkong in transit but prohibited for use in local factories. This means that our overseas competitors may reap the full benefit of such low-priced yarn supply while Hongkong must continue to labour at a disadvantage.

As far as Government's yarn stock is concerned, it will have to be sold at a loss, through no fault of Government, as cotton yarn in the world market is taking its natural course of dropping in value, Government is bound to write off a portion of the gains it made from the same item in the previous year. As the situation stands, any further delay in disposing of the stock will increase the loss and any attempt

to force up the yarn prices arbitrarily will not only be futile, but will do great harm to the textile industries and reflect a lack of interest on the part of Government in the welfare of these industries, which have been playing an important part in the life and economy of the Colony.

Shanghai Exports.

According to an announcement by the Communist authorities in Shanghai, the export is restricted of bristles, tungoil (wood oil), vegetable oil, eggs, feathers, furs, cotton, sugar, gallnuts, ramie, cotton yarns and piece goods, and various other items; however, a certain quantity may be exported in return for commodities required in Shanghai, which seems to leave things very much as they were before under the barter system, except that it appears to be a tightening up of the regulations governing exports.

Various stocks of goods taken over by the Communists from the Nationalists when they entered Shanghai have been or are being disposed of in Hongkong, and so long as these hold out supplies are assured, but a time comes when the existing stocks will be exhausted and it is doubtful whether output in Shanghai will be able to keep pace with the demand. Piece goods are a case in point. Large cargoes were despatched to Hongkong for security when the Communists first drew near to Shanghai; later, these stocks were increased by fresh quantities which were taken over by the Communists when after the fall of the city they fell heirs to the former Japanese mills which were being run by the Nationalist Government under the name of The China Textiles Inc., and exported to Hongkong under the barter system. However, like the large stocks in Hongkong which have been gradually reduced by sales, these stocks in Shanghai must be practically exhausted by now, and local dealers are waiting to ascertain whether the mills will be able to supply the demands from South China and the South Seas generally with which they were formerly able to cope.

Raw silk is another commodity that was formerly supplied by Shanghai, and at the moment a cargo of around 1,000 piculs consisting of stock taken from the Nationalists is awaiting shipment to Hongkong. Raw silk of good export standard is very short on account of the poor quality turned out in Canton, and dealers have to rely upon Shanghai and Chungking for supplies, the Japanese article though satisfactory as far as quality goes being now more expensive. It will be interesting to see whether the Shanghai producers of raw silk will not only be able to produce the quantities required but will also be able to maintain its standard.

Gold, Silver & Foreign Currency Notes.

Under the Chinese Government regulations in regard to gold, silver and foreign currency notes it is laid down that any person leaving China for abroad may carry foreign currency notes to a value not exceeding US\$500 or its equivalent, while passengers to

Hongkong or Macao may carry such notes up to the limit of US\$100 only. Chinese Government instructions to the Inspector-General of Customs state that passengers entering China from abroad may carry gold and silver without restriction and foreign banknotes up to a limit of US\$1,000 or the equivalent. Restrictions on the export of gold, silver and foreign currency notes remain unchanged.

Indonesia and Denmark.

Following upon the recently expired trade agreement between Indonesia and Denmark, a new agreement has been concluded covering the year July 1, 1949, to June 30, 1950. This follows the same lines as its predecessor and provides for Indonesian exports up to 82 million kroner against Danish exports of 82 million kroner.

Smoked Rubber Sheets.

The export and import of smoked rubber sheets is now being more strictly regulated by the local authorities: on making application for export of this item the exporter will have to provide a certificate in regard to the destination of the material. For imports intended for re-export, application should be made for the usual import licence giving a certificate as to the re-export destination.

Rice Allocations Termination

International rice allocations will be discontinued as from the end of 1949 by the Food and Agriculture Organisation of the United Nations. The Committee on Rice of FAO and its sub-committee in Singapore will cease operation by Dec. 31, 1949. Rice trade will return to free channels as from the beginning of next year.

Synthetic Rubber in the US

Use of synthetic rubber by American manufacturers in 1948 was substantially lower than in 1947, though still above statutory requirements. In 1948, industry in America consumed 442,072 long tons of synthetics, while the 1947 figure was 559,666 long tons. The requirements of national security alone determine the quantities of synthetics that must be consumed over and above the minimum of 221,667 long tons set by the Rubber Act of 1948. The relative availability of natural rubber on a supply-demand basis for strategic stocks and for American industry is taken into account in arriving at the figures.

Possible Import Restrictions in the Philippines

A persistent deficit in Philippine dollar trade has renewed apprehension among foreign traders over the possibility of further reductions in the country's imports of United States products. American trade interests in close contact with Philippine affairs believe that the island's inability to whittle down its adverse balance on United States trade may force the Government to cut back on already reduced import quotas. However, it is unlikely that any such action will be taken in the near future.

Despite import restrictions announced at the beginning of the year the Philippine trade deficit with the United States has remained large. In the first six months of this year, on the basis of United States statistics, the Philippines imported from the United States goods valued at \$225,114,000. Exports to the United States amounted to \$105,476,000 leaving an import surplus of more than \$119 million. In the first half of 1948, Philippine exports to the United States were \$124,704,000, imports from the United States totalled \$245,996,000, resulting in a deficit of over \$121 million. Thus, although the Philippines reduced imports from the United States by more than \$20 million, the decline in purchases in the US only sufficed to lower the country's trade gap by \$2 million. A good part of the drop in American imports from the islands is attributed to declining prices for some of the Philippines major exports, such as copra.

The drain on Philippine dollar reserves has also continued. Net international reserves of dollar exchange and gold are privately estimated at \$309 million at the end of July. This compares with an estimated \$367 million at the end of January.

That pressure for tighter restrictions on imports of United States goods is growing is indicated by a recommendation for such action recently made to President Quirino by the Import Control Board. The President is reported, however, to have sent the board's report back for reconsideration and it is believed that Mr. Quirino is loathe to take any decisive action in the way of reducing current quotas for United States goods. Trade interests in the United States note that the President is facing an election this November and may for this reason refuse the board's suggestions. When and if reductions in quotas are made or any new import system is introduced, it is likely to follow a pattern already well known to foreign traders. Imports of those goods deemed "non-essential" will be reduced most sharply, others will be affected to a lesser extent.

Thailand Rice Trade

Rice exports from Thailand in the second quarter of 1949 totaled 323,302 metric tons of milled rice. Shipments declined in volume in each succeeding month (139,960 tons in April, 101,883 tons in May, and 81,459 tons in June) but remained well above the corresponding months of 1948.

Thailand continues to be in a strong position in the rice trade. Nearness to markets and well-established trade relationships favour continued high volume. There is, however, some concern about the lack of dollar markets, heightened by the cessation of United States purchases for China.

Thailand Jute Bag Trade

Thailand receives its largest supply of textile bags from India. The supply is regulated, two allocations totaling 6,000,000 bags having been made as of the middle of July to the Thai Government by the Indian Government. In the 6-month period, Jan-

uary-June 1949, the Ministry of Commerce has received 3,000,000 jute bags from India, whereas in the same period of 1948, Thailand imported 13,919 bales of jute bags. (The weight of a standard bale of 400 jute bags is 1,000 pounds.)

The Thai Government is interested in establishing a jute-bag factory in Thailand to take care of needs for the rice crop, and in May 1949 set up a program for this purpose. This factory is to be located at Pak-Kret, Nonthaburi Province.

Philippine Abaca

Output of abaca, hand-stripped and decorticated, in the Philippine Republic totaled 286,105 bales for the first 6 months of 1949. Production for the like period of 1948 amounted to 365,818 bales. Output in all of 1949 is expected to reach about 600,000 bales, or approximately the same as in 1948.

Indonesian Sisal & Abaca

Sisal and abaca production in Indonesia in the first quarter of 1949 totalled 560 metric tons from 21,166 hectares planted. Of the acreage planted, 14,952 hectares were in sisal and 10,014 were in abaca. Of the shipments from estates in Sumatra and Java for export in the first quarter of 1949, the United States received 258 tons; the Netherlands, 375 tons; Belgium and Luxembourg, 13 tons; Sweden, 22 tons; and other countries, 4 tons.

Railway Developments

South Korea:—There were 255 locomotives in service in southern Korea as of January 1, 1949. Approximately 59 percent of existing locomotives were in operation at that time. The railways are meeting only a portion of the demands of the country's industry. Rolling stock in use is obsolete and much of it is in need of repair.

Philippines:—In addition to 22 Pullman cars ordered from the United States, the Manila Railroad also has ordered 40 units of rolling stock through SCAP from Japanese manufacturers.

Thailand:—Thailand's railway system, comprising some 3,285 kilometers, was seriously handicapped by a lack of rolling stock in 1948.

Perhaps the most promising development of 1948 affecting the railway system was a clarification of replacement and procurement needs, followed by concrete steps to locate and negotiate for the required equipment.

Included in a trade arrangement concluded with SCAP was a provisional quota of \$11,817,000 for the purchase of rolling stock and accessories. The search for equipment also was accelerated in the United States and in Europe.

Thailand's Purchasing Mission has been screening the bids of 16 major companies for railway equipment. At the end of June, 30 days after the closing date, no one was sure who would be favoured. Inasmuch as part of the Japanese railway equipment ordered several months ago has been

shipped, speculation is to the effect that Thailand will postpone awarding major contracts. Some are of the opinion that little, if any, equipment will be purchased before the final report on the recent hydro-electric survey is submitted. These quarters contend that Thailand will put its total requirements for electrical and shop equipment, railway rolling stock, and other items before the Council of Ministers for study on a priority basis. If such speculation is true, it will be October before any large orders are placed, as the hydroelectric survey will not be completed before October 1, 1949. The reasons advanced for such a delay are that considerable time will be required to check all specifications and that Thailand is expected to apply for a loan to cover all its requirements.

Motor Vehicles

South Korea:—Trucks are distributed throughout South Korea. The few privately owned passenger vehicles are concentrated in the larger cities, principally Seoul, Pusan, and Inchon. Ox-carts provide the principal mode of transportation in rural South Korea.

As of March 31, 1948, there were 905 taxicabs and commercial cars for hire, 6,817 trucks, 697 busses, 548 privately owned passenger vehicles, and 682 Government-owned sedans in the country; 33,490 persons held drivers' licenses.

There are no commercial facilities where fuel can be obtained, therefore travellers must make arrangements with Government agencies for supplies en route, but these are often uncertain. Repair shops of varying classes are located in the larger towns, but spare parts are difficult to obtain.

Taiwan:—Motor vehicles (exclusive of military) in Taiwan numbered 6,168 at the end of April this year. Of these, 1,752 were passenger cars, more than 1,000 of which were in Taipei. During April, 547 vehicles entered Taiwan, mostly from Shanghai. These motor cars are mostly owned by refugees and officials of the government.

HONGKONG COMMODITY MARKETS.

Cotton Piece Goods and Yarn

Dealers in cotton piece goods following the devaluation of the pound sterling, raised their prices by from \$1 to \$3 per piece, but few transactions took place. Both buyers and sellers preferred to wait until the trend of the market became clearer, buyers in particular showing a distinct lack of eagerness to pay higher prices; grey sheetings Fair Eagle brand had some sales at \$47 per piece.

The cotton yarn market was equally dead: sellers asked at from \$30 to \$50 per bale higher, but buyers held off.

Metals

Cantonese buyers were in the market for Japanese GALVANISED MILD-STEEL SHEETS, THIN, and prices rose steadily, especially with news from Shanghai of an acute shortage of this

item in that city; sales could be effected there at HK\$8,400 per metric ton, giving a profit of 100%, which would make it worth while to try and break through the "blockade" imposed by the Nationalist Government: the price of G30 3' x 7' rose to \$10.20 and \$11 per piece, sales being effected later at \$11.80 sellers at the close, in view of the devaluation of sterling, standing firm at \$12.50 per piece; Japanese 3' x 6' rose to \$8.20 and \$9.50, closing at \$10.20 per piece; Belgian 3' x 7' improved to \$10.70 with low stocks, and was offered at \$11 per piece but with no transactions. Japanese GALVD. CORRUGATED IRON ROOFING SHEETS G26 3' x 8' were offered at 78 cents per lb., in spite of new arrivals proving to be rather below standard, the price later rising to 80 cents., G24 and G28 rose to 72 cents and 90 cents respectively, being short of stock. In MILD STEEL BARS, interest was only shown in round bars, on a large quantity the price of $\frac{1}{4}$ " to $\frac{3}{8}$ " improving to \$35 per picul and $\frac{1}{2}$ " to $\frac{7}{8}$ " rising to \$34, while 1" to 2" improved to \$35 with a small turnover; angle, flat and square bars showed increased prices but no sales. Japanese GALVD. PIPES were active, $\frac{1}{2}$ " selling at an increased price of 68 cents per foot, $\frac{3}{4}$ " at 78 cents, 1" at \$1.14" rising to \$1.50, $1\frac{1}{2}$ " to \$1.70 and 2" to \$2. BLACK IRON PIPES also showed increased prices, the French make being in most demand, $\frac{1}{2}$ " French rising to 60 cents per foot, $\frac{3}{4}$ " to 70 cents, 1" to 90 cents, $1\frac{1}{4}$ " to \$1.25, $1\frac{1}{2}$ " to \$1.55 and 2" to \$2.05. STEEL SHAFTS were in demand for local factories, $\frac{3}{8}$ " to 1" being offered at \$53 per picul, $1\frac{1}{2}$ " and 3" at \$56, while 2" sold at \$52 per picul. Japanese BRASS SHEETS, 14" x 48" were in demand by buyers from Macao and China: G8 to G12 rose to \$205 per picul, G9-G11 sold at \$198 and eventually stood at \$200, G13-G16 was offered at \$195 per picul. British BRASS SHEETS, ROLLED, were required by local torch makers: 12" width G8 to G10 stood at \$200 per picul, G11 stood at \$205 and G12 at \$210. Few sales and substantial arrivals caused the price of best quality USA TINPLATE WASTE to fall to \$95 per 200 lbs., ordinary quality falling to \$94 with ex-godown price at \$91 without recorded sales; USA ELECTROLYTIC TINPLATE also fell to \$85 per 200 lbs; USA MISPRINT TINPLATE although very short of supplies, fell to \$60 per case of 200 lbs. for white base with counteroffer of \$50 which was not accepted, whereas black base was offered at \$47 per case.

Cement.

The cement market was not affected by the devaluation of sterling an improvement in prices being due more to the shortage of spot cargo: Indochina Red Dragon brand rose to \$6.60 per bag, Danish white Bates brand improved to \$16 per 1 cwt. bag; Green Island cement in 94 lb. bags sold at the official price of \$5.60 per bag ex-godown, Emerald brand in 112 lb. bags stood at \$6.50 per bag. Emerald-rapid hardening cement was at the usual price of \$7.50 per 112 lb.

bag, Snowcrete British white cement stood at \$55 per drum of 375 lbs., Snowcem cement paint (British) sold at \$58 nett per steel drum of 112 lbs. ex-godown.

Paper

According to the chairman of the Chinese Paper Merchants' Association, since the devaluation of sterling, paper merchants abroad have raised their prices by from 10% to 20%; the local market has followed with an increase all round of 10%. Cabled advices have notified an increase in British cellulose 36" x 39" of from 75/- to 92/- per ream, aluminium foil has risen from 2/6d to 2/9d, French cigarette paper 27.5 m has been increased from 14/3d to 16/9d per bobbin. Stocks of wood-free 80 lbs. quality have been considerably reduced with sales to buyers from Shanghai, Chungking, Tientsin and Kunming. In Shanghai there is a great demand for newsprint the price at that end being HK\$60 per ream, double the cost in Hongkong.

The local market price for newsprint in roll was 30 cents per lb., woodfree 43-48 lbs. stood at 63 cents, 58-60 lbs. at 66 cents, 63 lbs. & 68 lbs. at 67 cents and 80 lbs. at 62 cents per lb., with Japanese 50-100 lbs. at 63 cents per lb.; Holland strawboard G8 was offered at \$390 per ton, G10-16 at \$360 and G20-40 at \$440 per ton; cigarette paper 27.5 m. 6,000 m. stood at \$18 per bobbin and 4,000 m. at \$12.50 per bobbin.

Gunny Bags.

Tientsin buyers were in the market for gunny bags and although the turnover was small, prices improved: Heavy Ceers were offered at from \$3 to \$3.20 for spot, with counteroffers at \$2.96 but no sales; old bags first quality fell to \$2.30 per bags; Hessian cloth fell to \$1.15 per yard for spot from the previous price of \$1.20, but the forward price rose from \$1.02 to \$1.05.

Smoked Rubber Sheets.

The price of No. 1 smoked rubber sheets in Singapore rose from Malayan 37 cents per lb. on September 16 to 45 $\frac{1}{4}$ cents per lb. on September 19, an increase of 18%, while No. 2 rose from 35 cents to 41 $\frac{1}{4}$ cents. The local market has been inactive since the devaluation of sterling took place, but prices have risen: No. 1a Singapore increased from \$100 to \$111 per picul, No. 2 from \$90 to \$105, No. 3 from \$87 to \$98, and No. 3b at \$92 for North China buyers.

Vegetable Oils and China Produce.

The devaluation of sterling has had no effect upon the prices of vegetable oils, except where dealers have attempted to take advantage of the uncertain situation by putting up prices. The first post-war order from Japan for TUNGOIL (WOODOIL) has been received. At first the price of tungoil without export permit was \$166 per picul, with counteroffer of \$161 but no sales; later, transactions took place at \$167 per picul with export permit, and sellers increased the price to \$170. TEASEED OIL 5% acid sold at \$170 per

picul, and was offered at \$172 without sales. RAPESEED OIL 4% acid without export permit was offered at \$112 per picul with no transactions taking place. Local exporters were interested in GROUNDNUT OIL from Tientsin and sales took place at \$120 per picul for second quality in drums, the price later rising to \$122; Swatow Flying Horse brand in large tins improved to \$178 per picul later fallinw to \$175, in drums sales were effected at \$154 and \$155 per picul falling to \$135, in small tins the price was \$16.80 per tin.

Shek-On CASSIA UNSCRAPED met a favourable market and sold at \$225 per picul and the Wu-On product sold at \$200 improving to \$215 per picul; CASSIA BUD sold at \$73 per picul; CASSIA LIGNEA West River, Kwangtung, packing in 84 catties was offered at \$55 per picul. ANISEED STAR from Nanning, Kwangsi, rose from \$52 to \$55 per picul. GALLNUTS sold at \$93 per picul. ROSIN was in demand by Tientsin buyers, East River, Kwangtung, quality sold at \$31.50 per picul, West River quality was offered at \$31. A shortage of supplies of GREEN RAMIE (Szechuen), added to the requirements of Hongkong-Japan traders to complete orders on hand amounting to 2,700 tons before the end of the month, led to an improvement in price to \$185,—a buyer's offer at \$190 found no sellers in a position to fill it; new arrivals of green ramie from West River, Kwangtung met a favourable market and sold at \$210 per picul.

Ores.

The prices of China TIN INGOTS showed considerable variations as a result of the devaluation of sterling. Offers from the USA were at US 85 cents per lb. cif New York, but sellers would only accept 90 cents. The spot price on the local market was \$625 per picul for 99% with export permit, which was higher by \$30 per picul than the Macao price; Pat-Po, Kwangsi, 79% without permit stood at \$590 and Yunnan with permit at \$620 per picul.

Beans.

Buyers from Singapore and Macao were in the market for SOYA BEANS the price of which rose from \$40.70 to \$43 per picul; stocks being low, a further improvement is expected. GREEN BEANS from North China had a satisfactory turnover at \$40.50 per picul. Taiwan buyers were in the market for BEANCAKE which sold at \$29 and \$30 per picul for spot with forward bookings at \$28.50; sellers, anticipating a rise in price, withheld further dealings.

Sugar.

Siamese and Burmese dealers were negotiating through Hongkong for the supply of around 4,000 metric tons of No. 24 and 21 Taiwan granulated white dry sugar, shipment to be made direct from Taiwan. Doubts exist, however, as to whether this quantity can be filled in Taiwan until the new crop next year, owing to the shortage caused through the fire in Takao. There are stocks of No. 24 & 21 on the local market but the price of \$45.50, though it fell to \$45 per picul was considered too high,

A large quantity of No. 24 sugar in Hongkong is spoiled from being held back too long waiting for better prices and this when now placed on the market together with sugar damaged by moisture fetched \$39.20 per picul. British white granulated sugar sold at \$48 and \$49 per picul, but closed at \$47. Brown sugar of African origin was required by local brown slab sugar manufacturers and sold at \$42.60 per picul. Taiwan soft sugar, choice quality, had sales at \$48 but large shipments of about 20,000 tons expected shortly made sellers come down to \$47 per picul.

Wheat Flour

Speculators have been in the flour market following the devaluation of sterling, anticipating a greater rise in price in Canton and elsewhere than had yet taken place. In the past few days there has been a heavy turnover in USA flour of 10,000 bags, Canadian 6,000 bags and forward Australian flour 60,000 bags. According to cable ad-

vices Australian flour has been increased in price by an average of 30% and some dealers on receipt of this information sold, being content with their profit, while others waited for a further rise. The bulk of the sales were to speculators: USA Dog's Head brand went for \$16.80 forward delivery and Chief brand at \$18.50 per bag forward; spot prices were Leopard brand at \$17.60 per bag, Harp brand at \$19 and \$19.20 per bag.

Miscellaneous Food Products

The best months for shelled walnuts being September/October, orders have now been received from America and Europe in anticipation of the Christmas demand for the oil extract. The bulk of the shelled walnuts come from North China and recent export estimates are 10,000 cases to Canada (5,000 piculs), over 1000 cases to the USA, and 2000 cases to Europe. The price in Canada and USA was US 43 cents per lb. The local price in 56 lb. cases for export was \$80 per picul for first quality, \$70

for second quality and \$60 for third quality.

Shipments of fresh fruit are continuing to arrive in time for the mid-autumn festival early in October, when sales are always brisk; altogether 14,025 cases of oranges, 8365 cases of grapes and 6695 cases of apples have arrived or are expected shortly from America and Australia. The local market was active, oranges of 220 counts selling at \$58, 252 counts at \$54, 288 at \$46, 344 at \$43 and 392 at \$40; red grapes sold at \$42 per case, green at \$46 and black at \$48; apples sold at \$36 per case.

Thin quality MUSHROOMS from Kwangtung had a favourable market: first quality sold at \$2100 per picul, second quality at \$1550, third quality at \$1450 and fourth quality at \$1200. The expectation was that prices would remain firm.

SHARK FINS in cakes sold well, best quality selling at \$3370 per picul, second quality at \$2800 and \$2400 and small quality at \$1570 per picul.

Hongkong Imports & Exports of Selected Commodities for the Month of July, 1949

WOLFRAM

Countries	Imports		Exports	
	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
United Kingdom ...	—	—	3,746	1,229,669
China, South ...	6,663	1,792,751	—	—
France ...	—	—	2,436	793,800
Holland ...	—	—	168	50,400
Macao ...	394	92,740	—	—
Sweden ...	—	—	927	300,069
U. S. A. ...	—	—	252	90,870
Total	7,057	1,885,491	7,529	2,464,804

ANTIMONY

Canada	—	—	8,265	1,576,289
China, South	1,032	79,510	—	—
Philippines	—	—	8	1,400
Total	1,032	79,510	8,273	1,577,689

TIN INGOTS OF CHINESE ORIGIN

China, South	604	313,219	—	—
Macao	62	36,000	—	—
U. S. A. ...	—	—	15,468	8,172,836
Others	—	—	17	8,480
Total	666	349,219	15,485	8,181,316

MALAYAN TIN INGOTS

Malaya	252	136,320	—	—
Total	252	136,320	—	—

WOOD OIL (IN DRUMS)

Countries	Imports		Exports	
	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
United Kingdom ...	—	—	168	23,520
Australia	—	—	1,463	203,167
Malaya (Br.)	—	—	70	10,750
New Zealand	—	—	453	64,626
North Borneo	—	—	19	2,804
South Africa	—	—	168	22,680
Belgium	—	—	336	48,720
China, South	2,177	255,760	—	—
Germany	—	—	840	120,120
Macao	1,356	172,270	—	—
Norway	—	—	840	115,668
Siam	—	—	10	1,200
U. S. A. ...	—	—	1,039	146,550
Total	3,533	428,030	5,406	759,805

WOOD OIL (IN BULK)

United Kingdom ...	—	—	14,783	2,040,166
Germany	—	—	168	23,436
Holland	—	—	3,780	491,310
Norway	—	—	840	120,326
U. S. A. ...	—	—	5,250	504,000
Total	—	—	24,821	3,179,238

OTHER OILS FROM SEEDS, NUTS AND KERNELS

United Kingdom ...	—	—	511	70,482
Malaya	—	—	30	2,700
South Africa	9	1,697	—	—
China, South	150	25,530	—	—
Macao	445	42,760	7	1,320
Neth. E. Indies ...	170	31,925	—	—
U. S. A. ...	41	6,032	—	—
Total	815	107,944	548	74,502

BRISTLES

Countries	Imports		Exports	
	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
United Kingdom ...	—	—	100	66,133
Australia	—	—	12	12,220
Malaya (Br.)	12	12,000	—	—
New Zealand	—	—	8	6,475
Belgium	—	—	25	14,380
China, North	549	2,245,726	—	—
" Middle	79	66,200	—	—
" South	1,287	1,517,061	—	—
Germany	—	—	50	12,744
Italy	—	—	25	36,000
Siam	—	—	8	3,575
U. S. A.	—	—	3,473	5,877,785
Total	1,927	3,840,987	3,701	6,029,312

ANISEED OIL

United Kingdom ...	—	—	48	23,068
Australia	—	—	7	3,322
Fr. I. China	21	11,660	48	26,620
Germany	—	—	34	16,024
Macao	15	7,200	2	350
U. S. A.	—	—	332	130,754
Total	36	18,860	471	200,138

CASSIA OIL

United Kingdom ...	—	—	22	21,220
New Zealand	—	—	3	2,268
Belgium	—	—	3	3,562
France	—	—	3	2,248
Holland	—	—	9	10,892
Macao	10	9,350	—	—
U. S. A.	—	—	62	67,213
Total	10	9,350	102	107,403

COCO-NUT (COPRA) OIL, REFINED

Malaya	13,402	1,363,442	25	2,415
North Borneo	284	27,123	—	—
China, North	—	—	228	22,200
" Middle	—	—	6,899	696,308
" South	—	—	1,011	99,644
Korea (South)	—	—	138	14,856
Macao	—	—	1,164	117,286
Siam	132	13,668	—	—
Total	13,818	1,404,233	9,465	962,709

LINSEED OIL

United Kingdom ...	23	4,032	—	—
Canada	386	59,998	—	—
India	38	5,673	—	—
Macao	—	—	6	843
U. S. A.	34	7,254	—	—
Others	—	—	17	3,696
Total	481	76,957	23	4,539

GROUNDNUT (PEANUT) OIL

India	14,724	2,071,677	—	—
Malaya	—	—	51	8,600
North Borneo	—	—	6	720
China, North	3,709	502,840	—	—
" Middle	—	—	3,675	513,663
Macao	22	3,740	5,597	797,018
Siam	1,411	229,244	—	—
Total	19,866	2,807,501	9,329	1,320,001

RUBBER, RAW

Countries	Imports		Exports	
	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
Malaya	24,110	2,040,336	500	25,000
North Borneo	551	38,395	—	—
Br. Emp. Other ...	168	14,336	—	—
China, North	—	—	6,933	498,869
" Middle	—	—	3,248	269,122
" South	—	—	3,574	309,852
Korea (South)	—	—	5,183	455,870
Macao	—	—	232	22,780
Neth. E. Indies ...	1,344	116,800	—	—
Philippines	1,680	125,000	—	—
U. S. A.	—	—	3,672	261,672
Korea (North)	—	—	3,360	319,640
Total	27,853	2,334,867	26,702	2,162,805

SESAMUM OIL

Australia	—	—	3	702
Canada	—	—	47	11,940
Malaya (Br.)	—	—	33	9,464
West Indies	—	—	1	100
Cuba	—	—	1	228
C. America	—	—	1	70
Macao	—	—	9	1,930
Philippines	—	—	4	780
Siam	6	960	—	—
U. S. A.	—	—	35	11,833
Total	6	960	134	37,047

SOYA BEAN OIL

New Zealand	—	—	9	1,462
Siam	28	3,360	—	—
Total	28	3,360	9	1,462

TEA SEED OIL

United Kingdom ...	—	—	37,202	5,818,046
China, South	4,886	704,384	—	—
Germany	—	—	30	5,282
Macao	1,057	150,210	—	—
Total	5,943	854,594	37,232	5,823,328

TINNED PLATES

United Kingdom ...	420	53,600	—	—
Malaya	—	—	42	7,000
China, North	—	—	1,795	146,862
" Middle	—	—	953	58,774
" South	—	—	1,437	82,476
Macao	—	—	313	15,544
U. S. A.	14,969	593,064	—	—
Total	15,389	646,664	4,540	310,656

Hongkong Imports & Exports of Selected Commodities for the Month of August, 1949.

WOLFRAM

Countries	Imports		Exports	
	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
United Kingdom .	—	—	2,926	903,885
Belgium	—	—	420	120,000
China, South	9,313	2,289,146	—	—
France	—	—	168	60,580
Holland	—	—	420	113,400
Korea (South) . . .	218	56,300	—	—
Macao	309	64,770	—	—
Total	9,840	2,410,216	3,934	1,197,885

ANTIMONY

China, South	1,925	290,626	—	—
Total	1,925	290,626	—	—

TIN INGOTS OF CHINESE ORIGIN

China, South	314	133,010	—	—
U. S. A.	—	—	2,016	1,066,881
Total	314	133,010	2,016	1,066,881

MALAYAN TIN INGOTS

Malaya	840	453,760	—	—
Total	840	453,760	—	—

TINNED PLATES

United Kingdom .	1,794	117,147	—	—
China, North	—	—	1,358	110,269
" Middle	—	—	1,403	86,299
" South	—	—	1,037	56,521
Korea, South	—	—	917	66,205
Macao	—	—	476	23,916
U. S. A.	15,626	607,249	—	—
Total	17,420	724,396	5,191	343,210

ANISEED OIL

Countries	Imports		Exports	
	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
United Kingdom .	—	—	28	17,152
Australia	—	—	9	5,620
New Zealand	—	—	2	1,200
China, North	—	—	69	6,440
" South	132	63,360	—	—
Indochina	36	17,000	—	—
Germany	—	—	44	24,156
Italy	—	—	35	17,267
Macao	1	664	—	—
U. S. A.	—	—	221	98,487
Total	168	81,024	408	170,322

CASSIA OIL

United Kingdom .	—	—	16	20,525
Australia	—	—	2	2,464
France	—	—	3	4,200
Macao	17	15,210	—	—
U. S. A.	—	—	48	53,130
Total	17	15,210	69	80,319

SESAMUM OIL

Countries	Imports		Exports	
	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
Australia	—	—	1	135
Canada	—	—	25	5,906
Malaya	—	—	736	20,453
West Indies	—	—	1	180
C. America	—	—	1	96
Macao	—	—	10	2,190
Philippines	—	—	3	536
U. S. A.	—	—	32	8,213
Total	—	—	809	37,709

COCO-NUT (COPRA) OIL, REFINED

Malaya	3,795	403,457	—	—
North Borneo	102	10,656	—	—
China, North	—	—	2,606	256,446
" Middle	—	—	2,336	238,359
" South	—	—	335	33,692
Korea, South	—	—	24	2,304
Macao	—	—	102	9,894
Total	3,897	414,113	5,403	540,695

LINSEED OIL

India	280	45,229	—	—
China, North	1,139	766,080	—	—
" Middle	—	—	10	2,669
Total	1,419	811,309	10	2,669

GROUNDNUT (PEANUT) OIL

India	2,836	392,260	—	—
North Borneo	—	—	45	6,300
Br. Empire, Other . .	—	—	100	21,550
China, North	33,688	4,550,940	—	—
" Middle	1,189	194,638	25,085	3,384,883
Korea, South	6	780	—	—
Macao	153	24,900	246	33,795
Siam	3,445	423,138	—	—
U. S. A.	3,039	323,826	—	—
Total	44,356	6,010,482	25,476	3,446,528

WOOD OIL (IN DRUMS)

Australia	—	—	706	103,269
India	—	—	252	34,776
Malaya	—	—	41	5,634
New Zealand	—	—	336	47,040
North Borneo	—	—	27	4,156
China, North	2,855	379,375	—	—
" South	8,615	1,164,186	—	—
C. America	—	—	31	5,200
Germany	—	—	286	39,699
Holland	—	—	336	52,080
Macao	459	63,038	—	—
Norway	—	—	2,434	355,861
Siam	—	—	30	2,250
Sweden	—	—	840	113,280
U. S. A.	—	—	4,249	439,442
Total	11,929	1,606,599	9,568	1,202,687

WOOD OIL (IN BULK)

U. S. A.	—	—	18,816	2,389,408
Total	—	—	18,816	2,389,408

HONGKONG'S TRADE

Trade of Hongkong in August 1949

During August this year trade of the Colony further expanded. Exports reached the highest amount on record, imports were slightly smaller than in the all-time record month of May 1949. Increases in August this year over the corresponding month of 1947 and 1948 and July of this year were as follows:-

Increase over:	Imports	Exports
August 1947	91.40%	169.69%
August 1948	49.34	57.80
July 1949	19.82	0.11

Principal importing countries in August were the US, China, the UK, Malaya, Siam, India and Pakistan—in that order. Principal exporting countries in order of importance: China, Macao, Malaya, US, Korea, UK, Philippines.

Trade with China showed very great improvement over last year. This year imports valued \$47 m., exports 52 m. while last August imports and exports valued respectively \$29 m. and \$23 m. only. The increases this August over last year were 63% for imports and 127% for exports. Exports to China, under communist control, boom. North China trade figures are impressive. Shipments to Central China are also heavy, Hongkong's trade with 'red' China already exceeds considerably the trade with KMT controlled South China and Taiwan.

Trade with Macao showed an abnormal expansion of exports to the Portuguese colony, viz. \$30.2 m. this August against only \$5.9 m. last year. Apart from increased illicit trading between Macao and South China there must have been a very considerable diversion of Hongkong exports to hard currency

countries via Macao. Hongkong trade regulations, especially as regards the surrender of US\$ proceeds of specified commodities, are often circumvented by local merchants when declaring their goods as destined for Macao while actually they are re-shipped from Macao to other destinations than China. It will be unavoidable to extend all local trade controls to Macao and thus to curtail the abuses which have been permitted to damage local interests; cooperation from the Macao authorities is illusory and negotiations will, as long as the present governmental set-up in the Portuguese colony is not shaken up, lead to nowhere.

Trade with Japan in August showed contraction; exports decreased in spite of the great inducement offered to exporters here when selling their export proceeds (40% freed from control) to importers at open market premiums over the free market TT New York, reaching recently 30%. Imports from Japan were on the same level as last year but demand for Japanese goods is insistent irrespective of the steadily rising prices, a result of the advance in the free market US\$ rate for Tokyo account exchange.

With the US the heavy import excess continues and there is no prospect for stepping up shipments to America. As with most other countries, there is little to sell to the US which seem to possess or otherwise to manufacture anything a Yankee's heart desires. Elsewhere, and this applies to Hongkong and its Far Eastern customers with great force, there is strong demand for US goods and the higher open market rate for US exchange appears not at all to reduce this demand.

There were conspicuous advances in Hongkong's trade with Malaya and with India and Pakistan. The figures for the latter two Dominions should be read together as in 1948 no separation was made.

Hongkong's Trade for the first eight months of 1949

Total trade amounted this year to \$3025 million=£189 m. Over the first 8 months of 1947 and 1948 the increases this year amount to 82.78% and 33.90% respectively. The values in 1947 and 1948 were \$1655 m. and 2259 m. resp.

The very considerable improvement in the Colony's trade this year compared with the results of the two previous years is best illustrated in the following table:

Increase this year (first eight months) over:—	Imports	Exports
1947	79.33%	87.12%
1948	26.96	43.33

Most conspicuous this year was the increase in trade with China. Last year the people of China were still labouring under unfair and stupid restrictions and embargoes but this year the picture has changed largely as a result of the change of power in North and Central China and the driving out of the most corrupt and inept sector of the Kuomintang. Trade is following again with more ease subject only to the ability to buy, deliver the goods and re-establish good will abroad. Total imports and exports this year amounted to \$637 m. or 21% of Hongkong's trade. Imports valued \$392 m., exports \$245 m., against last year's eight months' values of \$249 m. imports and \$152 m. exports. The increases this year over last year amount to 57½% for imports and 61¼% for ex-

OTHER OILS FROM SEEDS, NUTS AND KERNELS

Countries	Imports		Exports	
	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
China, Middle	—	—	3	300
" South	233	45,548	—	—
Holland	3	452	—	—
Macao	—	—	19	1,000
U. S. A.	71	12,877	—	—
Total	307	58,877	22	1,300

SOYA BEAN OIL

China North	1,948	251,000	—	—
Siam	20	2,448	—	—
Total	1,968	253,448	—	—

TEA SEED OIL

United Kingdom ..	—	—	37,934	6,223,344
Malaya	—	—	5	1,150
China, South	2,980	454,400	—	—
Macao	467	74,752	—	—
U. S. A.	—	—	315	53,550
Total	3,447	529,152	38,254	6,278,044

BRISTLES

Countries	Imports		Exports	
	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
United Kingdom ..	—	—	143	174,833
Australia	—	—	21	77,792
New Zealand	—	—	24	93,176
Belgium	—	—	265	91,895
China, North	2,538	2,325,066	—	—
" South	653	941,557	—	—
Germany	—	—	50	20,500
Italy	—	—	50	16,000
Korea, South	122	484,020	—	—
Macao	2	320	—	—
U. S. A.	—	—	2,207	4,207,819
Total	3,315	3,750,963	2,760	4,682,015

RUBBER, RAW

Malaya	46,698	3,727,548	—	—
North Borneo	697	51,905	—	—
Burma	365	31,059	—	—
China, North	—	—	22,570	1,855,352
" Middle	—	—	1,908	154,047
" South	—	—	3,282	260,034
Korea, South	—	—	9,628	789,626
Macao	—	—	366	33,970
Korea, North	—	—	2,520	206,640
Total	47,760	3,810,512	40,274	3,299,669

ports. Business with communist controlled China is improving by leaps and bounds. The KMT imposed but internationally not recognised blockade of ports under the control of the new Chinese authorities has done some harm to the economy of China but so far it has been ineffective as the trade figures of Hongkong bear out. The outlook for Hongkong-China trade is bright; the 'blockade' is bound to fizzle out very soon even before the inevitable change-over in Canton comes to pass.

Trade with the Empire totalled \$789.9 m. and trade with the sterling area (i.e. minus Canada) totalled \$745.3 m. (imports 390.2 m., exports 355.1 m.). Sterling area's share in Hongkong's total trade: 24.63%.

Trade with the US showed a deficit of \$221½ m.; imports valued \$351½ m., exports 130¼ m., a total of \$481¼ m. or 15.9% of Hongkong's trade. This huge US\$ deficit should be reduced in the near future as European manufacturers have slowly come back into their own. With the higher US\$ prices following sterling devaluation buyers may find it less advisable to book orders in the US. Now is the time to recapture markets which the US, in the postwar years, have taken over as a result of the weakening of European manufacturing and trading potential. It will prove by no means an easy job to get American goods out of Far Eastern markets but price being the principal consideration European exporters should rally and make a serious and sustained effort. The Chinese buyer is rather well disposed towards European goods, he appreciates British quality manufactures, German chemicals and optical goods, the many well-introduced brands of Belgian, Dutch, French, Swedish, Italian, Swiss etc. manufactures.

Trade with the UK resulted in a deficit of the Colony of \$138.7 m., imports being \$234.8 m., exports \$96.1 m. The success of the British export drive is well reflected in the above figures.

Business with Korea, north and south, is further advancing and prospects are encouraging. Imports totalled \$65 m., exports \$83 m., a total of \$148 m. Japan's trade with the Colony totalled \$111½ m., viz. imports 64 m. and exports 47½ m. Here is room for improvement but the difficulty of getting abroad the goods which Japan requires is baulking the Colony traders' efforts to bring up the trade to larger figures. The difference between imports and exports, about \$17 m. for Jan.-Aug., is mainly accounted for by services (shipping, insurance, banking etc.); Japan buys cif, and sells fob; this favourable (for Hongkong and other trading partners of Japan) business proposition will however soon come to its end as the Japanese are, quite understandably so, annoyed at paying always heavy charges for freight and insurance in foreign exchange.

Trade with India and Pakistan has notably increased; last year's total trade with the two Dominions was \$50 m., this year's trade exceeded \$117 m. (40 m. imports, 77 m. exports).

HONGKONG'S TRADE FOR JANUARY TO AUGUST

Total Values of Imports & Exports of Merchandise by Countries

COUNTRIES	IMPORTS FROM		EXPORTS TO	
	1st 8 months 1948	1st 8 months 1949	1st 8 months 1948	1st 8 months 1949
	\$	\$	\$	\$
United Kingdom	166,594,748	234,848,628	46,936,631	96,157,205
Australia	39,813,049	39,316,451	9,776,779	23,103,259
Canada	20,997,418	33,220,131	4,939,896	11,471,282
Ceylon	912,387	1,385,567	3,624,412	4,391,306
East Africa	1,241,749	1,436,326	5,896,657	13,235,603
India	22,135,205	30,162,373	13,492,716	28,333,618
Malaya	60,976,848	46,126,799	123,255,053	154,847,133
New Zealand	308,983	897,160	17,833,436	1,712,599
North Borneo	7,369,583	8,002,646	4,013,611	5,663,186
South Africa	7,436,756	12,568,686	3,790,703	12,251,627
West Africa	—	41,606	2,658,765	4,769,421
West Indies	7,761	66,497	5,508,331	3,228,684
Br. Empire, Other	20,122,631	15,398,561	7,855,920	7,415,629
Belgium	29,118,063	10,014,936	6,115,742	4,970,496
Burma	29,344,486	17,629,233	8,086,886	13,123,584
China, North	67,617,387	123,461,886	49,289,236	110,603,503
" Middle	27,007,052	28,174,790	38,548,106	58,467,972
" South	154,472,120	240,976,795	65,050,235	76,640,495
Cuba	71,470	44,498	1,067,514	688,884
Central America	684,727	757,657	2,175,694	2,454,619
Denmark	1,646,955	2,115,934	527,724	2,244,242
Egypt	5,796,301	1,944,713	3,003,603	2,658,597
France	12,811,827	22,678,739	6,646,350	8,626,325
Fr. Indochina	12,954,177	14,537,069	13,872,458	14,980,328
Germany	2,667,186	3,788,821	3,506,384	13,324,131
Holland	12,103,067	23,573,089	4,094,157	6,843,539
Italy	25,189,123	9,343,482	2,490,927	6,489,353
Japan	52,843,963	64,036,954	29,706,109	47,524,079
Korea, South	14,519,862	23,915,622	22,439,017	47,177,224
" North	—	31,811,681	—	36,605,412
Macao	54,794,073	55,748,263	77,341,241	139,231,523
Norway	14,840,528	11,178,270	1,487,047	4,027,538
Neth. East Indies	21,191,295	17,240,471	48,577,787	42,873,878
Philippines	5,893,451	11,592,675	92,569,763	66,009,297
Portugal	518,111	947,469	22,580	84,605
Siam	78,717,865	69,597,082	91,253,692	92,246,081
South America	1,539,637	3,213,074	3,283,337	3,209,831
Sweden	22,357,488	15,408,490	2,153,444	2,788,425
Switzerland	23,279,898	33,541,529	7,414,553	780,202
Spain	1,123,076	410,649	224,486	190,487
U. S. A.	260,027,590	351,550,501	101,831,938	130,236,793
U. S. S. R.	431,680	433,316	9,824,676	1,898,628
Austria	820,778	2,607,115	159,292	17,660
Eire	—	—	—	86,955
Czechoslovakia	4,084,558	4,415,670	—	1,815
El Hasa	—	—	1,957,271	1,619,096
Finland	2,514,242	1,964,101	204,904	57,626
Greece	29,408	42,924	135,055	216,760
Hungary	33,735	204,232	—	—
Iran	3,736,790	544,626	289,783	338,039
Iraq	—	—	3,655,272	1,754,379
Oman	1,800	55,568	1,003,639	2,630,703
Poland	76,173	1,476,673	—	—
Port. E. Africa	129,054	45,782	1,017,393	2,108,637
Pakistan	—	10,016,510	—	48,688,346
Syria	—	—	628,210	555,747
Turkey	—	1,684,316	1,715,603	1,228,658
Others	8,647,617	16,245,949	4,727,952	9,818,493
Total	1,301,553,731	1,652,442,585	957,681,970	1,372,703,537
Total Br. Empire	347,917,118	423,471,431	249,335,752	366,580,552
Total Foreign	953,636,613	1,228,971,154	708,346,218	1,006,122,985

Hongkong's Trade in August and for the first Eight Months of 1949.

Imports of merchandise into Hongkong during August 1949 amounted to a declared value of \$229,281,666 as compared with \$153,531,287 in August 1948. The figures include Government sponsored cargoes.

Exports of merchandise totalled a declared value of \$195,191,861 as compared with \$123,696,604 in August 1948.

Imports during the first eight months of 1949 amounted to a declared value of \$1,652,442,585 as compared with \$1,301,553,731 in the first eight months of 1948. Exports totalled \$1,372,703,537 as compared with \$957,681,970.

HONGKONG'S TRADE IN AUGUST

Total Value of Imports & Exports of Merchandise by Countries

COUNTRIES	IMPORTS FROM		EXPORTS TO	
	August 1948	August 1949	August 1948	August 1949
	\$	\$	\$	\$
United Kingdom	32,933,170	30,066,491	6,485,041	8,694,689
Australia	7,021,558	4,152,326	1,663,794	4,598,591
Canada	2,301,721	6,783,976	1,067,779	596,201
Ceylon	140,449	256,439	518,118	269,878
East Africa	199,467	97,645	618,550	689,147
India	3,582,232	9,366,891	780,268	4,303,734
Malaya	2,123,902	11,291,230	2,097,663	25,979,619
New Zealand	38,832	56,308	17,052,580	314,702
North Borneo	270,573	800,217	88,254	736,430
South Africa	532,631	2,606,680	112,081	966,278
West Africa	—	—	778,049	477,058
West Indies	—	—	198,300	595,780
Br. Empire, Other	686,685	1,117,861	1,544,716	1,027,842
Belgium	2,524,666	261,730	820,621	459,863
Burma	1,553,812	3,963,260	745,610	2,547,347
China, North	8,940,493	24,856,057	11,045,732	22,751,799
" Middle	2,771,416	3,014,827	6,468,769	17,669,406
" South	17,978,259	18,515,547	6,103,291	11,796,251
Cuba	—	—	126,377	50,762
Central America	80,992	350,273	360,395	263,171
Denmark	59,224	602,280	58,121	170,907
Egypt	35,880	755,072	239,480	111,646
France	2,124,048	3,109,740	534,402	856,302
Fr. Indochina	561,082	1,666,849	2,000,056	2,928,705
Germany	293,315	811,357	165,920	249,137
Holland	1,851,357	4,922,243	410,569	566,837
Italy	4,384,382	1,700,356	351,694	313,664
Japan	5,957,585	6,679,465	10,336,664	4,494,495
Korea, South	1,362,029	4,749,906	4,382,988	10,188,197
" North	—	420,000	—	2,841,307
Macao	6,741,797	5,156,444	5,597,376	30,224,440
Norway	2,186,528	2,318,228	123,944	577,319
Neth. East Indies	1,670,234	1,033,056	5,841,328	1,998,006
Philippines	477,899	1,116,514	8,867,874	9,041,091
Portugal	24,938	63,711	10,600	—
Siam	3,952,023	10,339,984	7,907,890	3,419,389
South America	328,507	232,056	478,535	600,995
Sweden	1,746,735	2,137,342	—	133,906
Switzerland	3,238,973	4,180,260	514,889	246,102
Spain	136,143	66,074	224,486	—
U. S. A.	27,865,172	47,130,944	13,502,009	17,957,810
U. S. S. R.	—	—	1,274,272	—
Austria	109,385	584,375	—	—
Eire	—	—	—	35,828
Czechoslovakia	815,855	1,354,367	—	—
El Hasa	—	—	445,374	70,744
Finland	1,126,779	408,749	9,753	—
Greece	—	—	51,658	12,378
Hungary	8,177	158,744	—	—
Iran	206,901	—	23,400	14,163
Iraq	—	—	416,381	28,206
Oman	—	—	242,247	159,546
Poland	42,000	200,800	—	—
Port. East Africa	40,000	—	89,444	270,291
Pakistan	—	8,186,976	—	1,330,214
Syria	—	—	34,080	62,673
Turkey	—	1,638,016	411,633	81,736
Others	2,503,481	—	472,549	1,417,279
Total	153,531,287	229,281,666	123,696,604	195,191,861
Total Br. Empire ..	49,831,220	66,596,064	32,759,035	49,249,949
Total Foreign	103,700,067	162,685,602	90,937,569	145,941,912

Hongkong's Trade for the First Eight Months

Hongkong's Trade in August

Total Values of Imports & Exports by Chapters

Total Values of Imports & Exports by Chapters

Articles	IMPORTS		EXPORTS		Articles	IMPORTS		EXPORTS	
	August 1948	August 1949	August 1948	August 1949		1st 8 months 1948	1st 8 months 1949	1st 8 months 1948	1st 8 months 1949
Live animals, chiefly for food	3,687,200	3,694,306	—	3,015	Live animals, chiefly for food	22,464,389	28,922,819	23,042	8,560
Meat & preparations thereof	1,289,431	506,676	479,826	218,090	Meat & preparations thereof	2,986,010	7,530,879	6,126,646	4,228,656
Dairy products, eggs & honey	2,684,513	5,477,881	2,203,705	4,052,525	Dairy products, eggs & honey	20,466,257	41,824,058	19,708,703	25,294,812
Fishery products, for food	3,199,006	7,774,186	1,522,759	3,135,055	Fishery products, for food	25,597,312	40,160,045	10,633,960	17,678,573
Cereals	3,569,638	7,281,546	35,170	373,245	Cereals	88,293,119	54,356,760	8,084,810	2,334,885
Manufactured products of					Manufactured products of				
cereals, chiefly for hu-					cereals, chiefly for hu-				
man food	2,533,866	8,511,509	901,595	7,524,016	man food	26,970,153	37,661,915	10,929,586	27,751,419
Fruits & nuts, except oil-					Fruits & nuts, except oil-				
nuts	2,164,155	5,190,340	1,616,247	3,073,151	nuts	19,634,966	27,672,129	16,836,833	17,544,873
Vegetables, roots & tubers,					Vegetables, roots & tubers,				
chiefly used for human					chiefly used for human				
food & their prepara-					food & their prepara-				
n.e.s.	2,845,358	6,637,635	4,321,246	9,428,363	tions, n.e.s.	30,796,108	45,378,214	42,854,244	47,049,601
Sugar & sugar confectionery	1,880,490	1,411,539	971,095	5,139,907	Sugar & sugar confectionery	33,925,115	25,228,454	13,283,173	15,062,680
Coffee, tea, cocoa & pre-					Coffee, tea, cocoa & pre-				
parations thereof; spices	1,371,819	1,976,010	1,202,568	2,211,686	parations thereof; spices	9,792,720	14,252,546	8,575,923	12,230,072
Beverages & vinegars	1,640,768	3,236,960	520,800	1,434,732	Beverages & vinegars	9,647,330	14,053,817	4,972,165	8,943,225
Feeding stuffs for animals,					Feeding stuffs for ani-				
n.e.s.	458,322	4,085,834	20,818	3,164,364	mals, n.e.s.	679,942	13,804,629	279,939	17,753,106
Tobacco	8,071,510	4,201,586	857,877	3,536,203	Tobacco	31,341,207	33,227,523	12,632,497	18,319,554
Oil-seeds, nuts & kernels	2,112,281	3,513,797	7,658,086	4,232,590	Oil-seeds, nuts & kernels	21,773,393	22,616,954	17,617,154	25,448,436
Animal & vegetable oils,					Animal & vegetable oils,				
fats, greases & waxes &					fats, greases & waxes &				
their manufactures, n.e.s.	4,645,341	10,014,906	9,326,323	14,349,806	their manufactures, n.e.s.	68,882,221	79,797,769	84,053,307	102,609,410
Chemical elements & com-					Chemical elements & com-				
pounds; pharmaceutical					pounds; pharmaceutical				
products	6,610,479	12,548,381	4,477,785	9,427,793	products	64,128,881	79,334,438	33,333,955	54,312,126
Dyeing, tanning & colour-					Dyeing, tanning & colour-				
ing substances (not in-					ing substances (not in-				
cluding crude materials)	4,566,690	5,007,322	2,302,813	3,811,716	cluding crude materials)	54,199,888	40,765,680	24,222,726	32,380,862
Essential oils, perfumery,					Essential oils, perfumery,				
cosmetics, soaps & re-					cosmetics, soaps & re-				
lated products	745,883	2,037,713	924,936	1,190,907	lated products	8,369,702	15,175,425	9,137,234	8,694,969
Fertilizers	884,390	1,255,177	2,633,202	63,870	Fertilizers	6,931,008	9,068,499	9,961,689	9,329,997
Rubber & manufactures					Rubber & manufactures				
thereof, n.e.s.	1,419,209	4,646,655	4,477,431	4,497,082	thereof, n.e.s.	23,903,101	24,092,387	19,661,004	23,645,308
Wood, cork & manufac-					Wood, cork & manufac-				
tures thereof	1,933,788	3,312,527	627,864	1,032,034	tures thereof	24,858,975	31,613,402	4,814,803	7,732,708

Pulp, paper & cardboard & manufactures thereof ..	8,700,015	7,811,492	5,064,613	7,538,588	74,622,011	64,631,542	39,025,651	60,135,046
Hides & skins & leather ..	926,228	2,088,776	1,205,341	1,678,065	9,397,827	16,518,475	10,086,303	14,013,211
Manufactures of leather, not including articles of clothing	37,120	73,382	274,109	391,140	266,348	669,720	2,700,912	3,519,966
Furs, not made up	—	217,000	96,537	669,570	604,014	2,206,138	1,546,998	4,590,857
Textile materials, raw or simply prepared	5,879,811	13,242,321	5,956,906	8,843,991	24,123,396	54,196,532	25,927,635	49,286,465
Yarns & threads	10,574,988	5,380,551	2,911,806	9,436,550	87,067,049	59,701,696	30,018,943	79,944,068
Textile fabrics & small wares	18,907,999	19,306,040	16,276,998	12,102,915	105,531,503	131,124,209	122,493,201	129,691,267
Special & technical textile articles	456,680	1,369,689	249,205	929,198	3,520,706	5,882,004	2,341,419	4,334,756
Clothing & underwear of textile materials; hats	1,442,998	1,816,717	3,812,026	5,452,050	13,138,201	13,667,863	32,586,777	57,981,247
Clothing of leather & fur	20,206	—	250	—	115,411	22,925	89,004	5,510
Footwear: boots, shoes & slippers	230,861	127,478	641,057	832,628	1,440,836	907,111	12,374,925	14,059,267
Made-up articles of textile materials other than clothing	531,987	7,036,082	5,794,782	8,738,366	9,173,384	23,905,953	31,873,527	43,932,486
Products for heating, lighting & power, lubricants & related products n.e.s. ..	8,151,407	4,771,111	5,426,172	7,176,756	78,752,114	77,581,976	49,126,095	42,787,995
Non-metallic minerals, crude or simply prepared, n.e.s.	756,339	1,921,190	106,293	641,683	10,554,666	13,564,632	2,930,371	4,465,143
Pottery & other clay products	825,581	1,037,454	617,039	675,935	6,169,990	8,318,677	5,138,417	6,003,111
Glass & glassware	507,472	1,159,281	468,620	1,094,720	7,059,604	9,502,263	5,101,825	7,347,299
Manufactures of non-metallic minerals, n.e.s.	325,947	231,963	110,222	77,632	2,564,082	2,734,460	688,227	1,113,438
Precious metals & precious stones, pearls & articles made of these materials ..	704,627	8,072,479	495,971	459,368	2,771,566	23,145,588	1,821,558	3,468,406
Ores, slag, cinder	747,377	2,927,335	722,289	1,396,807	11,191,552	23,824,858	16,892,550	19,727,186
Iron & steel	5,615,006	4,183,237	1,572,386	2,930,520	38,602,632	44,350,642	13,919,142	20,195,112
Non-ferrous base metals ..	3,844,671	2,649,112	2,754,159	3,718,166	25,383,450	34,773,429	19,230,912	37,693,462
Manufactures of base metals, n.e.s.	4,097,123	5,997,352	6,840,852	10,740,488	28,436,957	44,933,468	48,128,420	81,646,671
Machinery, apparatus & appliances other than electrical, n.e.s.	5,011,627	4,685,262	250,071	2,382,681	35,743,503	55,811,219	3,670,259	11,006,418
Electrical machinery, apparatus & appliances ..	3,899,263	5,020,456	1,087,942	2,653,687	17,434,270	37,519,084	8,330,750	15,141,528
Vehicles and transport equipment, n.e.s.	2,919,826	5,255,612	1,226,834	1,824,639	23,238,773	33,651,461	16,462,846	15,131,506
Miscellaneous crude or simply prepared products, n.e.s.	3,448,878	9,918,212	6,755,941	11,895,736	28,156,744	94,577,628	46,304,148	93,308,043
Manufactured articles, n.e.s.	6,653,113	10,679,596	5,893,022	9,012,827	61,831,345	88,610,682	51,127,762	73,830,241
Gold & specie	—	27,608,700	2,623,800	68,066,741	201,031	49,934,067	19,115,026	89,919,246
Total	153,531,287	256,890,366	126,320,404	263,258,602	1,301,754,762	1,702,376,652	976,796,996	1,462,622,783

ECONOMIC REVIEW OF BURMA IN 1948 AND OUTLOOK FOR THE FUTURE

Burma became an independent country outside the British Empire and Commonwealth of Nations on January 4, 1948, the first such departure from the Empire since the American Revolution. Independence was the product of peaceful negotiation between Rangoon and London, culminating in the Treaty of Independence of October 17, 1947, and the Burma Independence Act enacted by the British Parliament in December 1947.

Interest in Burma's progress stems not only from a natural concern over the success of a once dependent people in working out their own future but equally from the importance of Burmese rice to the world's food supply.

The strategic importance of rice production and exports to the Burmese economy make rice shipments a sensitive indicator of progress in postwar reconstruction and of the country's success in establishing a stable political and economic system. The year 1948 began with reasonably favourable expectations. The exportable surplus of rice was estimated at approximately 1,600,000 long tons, compared with roughly half that amount actually shipped during 1947. On the basis of this estimate and of an increase of £4 3/4 per ton in the export price, independent Burma was expected to complete its first year with a budget surplus. The anticipated export of 1,600,000 long tons of rice was far below average prewar exports of approximately 3,000,000 long tons, but it represented a promising beginning of what was to be rehabilitation of Burma's rice export trade, and was of particular significance considered against the higher level of rice shipments that would be necessary to meet the needs of increased populations in the rice-deficit areas. Rice exports were more than the focal point of Burma's earning power in international trade, as they also had a direct effect on food rations and living costs in other areas of Southeast Asia and have been partly responsible since the war for adverse balances of trade on dollar account where sizable imports of substitute cereals from hard-currency sources became necessary.

In March 1948 evidence began to mount that the desired restoration of Burmese prosperity and reappearance in world trade of Burmese rice, teak, petroleum, minerals, and other essential commodities were more than an economic problem. The rending of the country's political fabric in the wake of insurrection began to set in, taking on serious proportions during the summer. Thus civil war dominated the scene of Burmese affairs during the first year of independence and considerably complicated the problems of a Government that had pledged itself to a wide range of socialization and to a program of economic development directed toward diversification of the Burmese economy.

AGRICULTURE

The recovery of rice production stands first in Burma's postwar production objectives. Rice accounts normally for approximately 70 percent of Burma's arable land and close to half the country's export trade. Internationally, Burmese rice normally represents about 40 percent of world trade in that commodity. Because of increased global requirements resulting from rising population levels, the average prewar export figure of about 3,000,000 long tons would have to be surpassed in order to maintain Burma's contribution to the diets of the deficit areas. For this reason production would have to exceed the prewar level of over 7,000,000 long tons of paddy (about 5,000,000 long tons of rice). Early in 1948 the Government of Burma announced the following targets of rice acreage and exportable surplus:

Year	Matured acreage (millions of acres)	Exportable surplus (millions of long tons)
1947-48	9.0	1.76
1948-49	10.0	2.18
1949-50	10.75	2.46
1950-51	11.5	2.94
1951-52	12.0	3.18

Because of civil war, however, these targets of acreage and exportable surplus are beyond Burma's reach at least until 1950. They can again come within striking distance only with the establishment of political stability, permitting resumption of the reconstruction effort which is still Burma's primary objective at this stage of the postwar period.

Compared with the prewar 5-year average of 12,800,000 acres, matured paddy acreage reached 9,285,600 in 1948-49. Paddy production totaled 5,510,700 long tons in 1947-48, with 1948-49 production expected to decline to 5,351,800 long tons. Because of transportation bottlenecks, complicating the effect of civil strife in the interior, the impact of civil war is more pronounced in the decline in rice exports. Shipments of rice and rice products in 1948 totaled 1,278,610 long tons, or 321,390 long tons below what had earlier been expected. Exports in 1948 were substantially above 1947 performance, an accomplishment made possible by the fact that by July 1948, when insurrection began to take on serious proportions, the 1947-48 rice crop had been harvested and milled and most of the exportable surplus had been shipped to foreign markets.

Rice exports anticipated for 1949 will possibly amount to roughly 40 percent of the 1948-49 target of 2,180,000 long tons. Most of the stocks built up in Rangoon during December 1948 and January 1949 were lifted during the first quarter of 1949 (amounting to approximately 450,000 long tons) and the trickle of paddy down the Pegu and Irrawaddy rivers and the Prome Road to Rangoon will not permit any marked replenishment of these supplies.

Some paddy is reaching the less important Burmese ports, namely Bassein, Akyab, and Moulmein.

The shortfalls in rice shipments have serious repercussions in Burma's budget, in view of the Government's role as sole purchaser and seller of Burma's rice crop, and in the balance of payments as a result of the predominant position of rice in the country's export trade, particularly since the war. The shortfall of about 321,390 long tons in 1948 shipments was responsible for the loss of 162,000,000 rupees in foreign exchange, for the most part in sterling. The market pattern of Burma's rice export trade during 1948 was as follows, suggesting the soft-currency basis for most of the country's foreign commerce:

Rice, exclusive Des- rice bran (in tination long tons)		Rice, exclusive Des- rice bran (in tination long tons)	
India	495,334	U.K.	33,883
Ceylon	305,326	Mauritius	11,370
Malaya	197,800	Borneo	10,105
China	61,124	Philippines	3,975
Indonesia	58,979	Other	2,279
Hongkong	36,313	Total	1,216,488

In the Burmese economy, the more important agricultural products following rice are groundnuts (peanuts), sesame, and cotton, which together usually account for about 16 percent of total land under cultivation. Other agricultural commodities include vegetables, pulses, maize, millet, wheat, sugarcane, rubber, and tobacco. In groundnuts, 696,270 acres were expected to mature in 1948-49, with production estimated at 153,000 long tons of nuts in the shell. Production in 1947-48 was 152,807 long tons, compared with an annual average of 161,300 long tons in the period from 1936-37 to 1940-41. In sesame, total acreage expected to mature in 1948-49 was estimated at 924,740 (458,430 acres having been destroyed by adverse rainfall and abnormal cultivation conditions), with production estimated at 40,900 long tons of seeds, compared with 42,876 long tons in 1947-48 and an annual average of 49,700 long tons during the period from 1936-37 to 1940-41.

LAND NATIONALIZATION

On October 11, 1948, the Burmese Parliament passed a Land Nationalization Act, authorizing the Government to "resume possession" of all agricultural land with certain exceptions, most important of which were rice and sugarcane land not exceeding 50 acres which had been in the continuous possession of an agriculturalist family as of January 4, 1949, and all land dedicated to the cultivation of garden crops. Land to be repossessed by the Government has been estimated at 8,000,000 acres and includes one-fourth of Lower Burma's best rice land owned by absentee Indians. The method of computing compensation has become the subject of considerable criticism from Indian sources and representations were being made by the Indian Government to the Government of Burma concerning this question. The nationalization of land became an objective of Government policy with the approval of the new Constitution by

the Burmese Parliament. Article 30 directed that "there can be no large land holdings on any basis whatsoever" and instructed the Government, as the ultimate owner of all land, "to regulate, alter or abolish tenures or resume possession of any land and distribute the same for collective or cooperative farming or to agricultural tenants." Subsequent policy determinations called for the "re-distribution of the agricultural land of Burma with a view to eliminating land-lordism;" the return of agricultural land to the peasants; and the prevention of further alienation of land. Prior to the final step of land nationalization, legislation had been enacted from time to time controlling agricultural rents and land use.

THE TEAK INDUSTRY

Prior to the intensification of insurgent activity in the summer of 1948, the primary obstacle to the rehabilitation of teak production was the shortage of elephants required to haul the timber to water for shipment to milling facilities. The number of elephants used in teak extraction had declined to about 3,500 from 8,000 to 9,000 before the war. Teak availabilities have now been restricted further by the lawlessness and insecurity attending the continuation of civil war. Such conditions are evident as theft, the terrorization of jungle workers, and armed attack on lines of communication. While extraction operations were affected less in the areas worked by commercial firms than in areas worked by the Government, the industry as a whole suffered most seriously from insurgent attacks on rafts of logs floating to Rangoon. In August 1948, for example, 38,000 teak logs were cut loose from their moorings by the insurgents and then floated to friendly villages where the inhabitants appropriated the logs for their own use. By the end of October, 24,000 of these logs had been recovered, largely through the efforts of the Burma Navy, and 12,000 had been written off as a total loss. By the end of 1948 it became impossible to move logs from their sources to milling and shipping facilities except by means of an armed naval convoy.

Exports of teak in 1948 reflected a satisfactory increase over shipments of other postwar years. Exports of teak in 1948 amounted to 80,339 cubic tons, or an increase of about 70 percent over the 47,350 cubic tons shipped in the 12-month period from November 1946 to October 1947. Teak exports of 68,178 cubic tons in the 20-months period from July 1946 to February 1948 also afford an interesting comparison in assessing the progress of postwar reconstruction in this industry. However, the 1948 figure remains considerably below the 225,294 cubic tons exported in 1940. In view of the continuation of internal disturbances, it is unlikely that teak exports in 1949 will equal those of 1948.

On June 1, 1948, the Government of Burma undertook to nationalize the timber industry by taking over one-third of all timber operations under the provisions

of the State Timber Board Order, promulgated on April 10, 1948. This legislation directed the establishment of a State Timber Board to manage the extraction, conversion, and marketing of forest produce. It was contemplated that some of the Board's responsibilities would be carried out by Burmese firms serving as agents. It was the Government's intention to take over the timber industry as a going concern and to operate it on a commercial basis, employing both the European and the Burmese staff of the former lessees.

The first instalment of timber nationalization was carried out in the more accessible sections of central Burma and covered areas which were being worked for the most part by long-term lessees, both foreign and indigenous. The leases involved had actually expired in 1940 but the lessees had been permitted to continue operation under the same terms, pending a final decision concerning the terms of renewal. Actual renewal, however, was never consummated. Postwar exploitation of timber resources devolved on the Timber Projects Board, which was a form of partnership between the Government and a five-firm consortium of the principal British and British-controlled timber concerns. According to an agreement early in 1949 between the Government and the three remaining British teak companies, the Government, on June 1, 1949, was to nationalize the remaining two-thirds of Burma's teak forests still under temporary lease to these firms. The original date for this undertaking was June 1950. Apparently because of the pressure of circumstances, the date for completion of the nationalization of Burma's teak forests was moved up 4 months to February 1, 1949. Two of the companies involved plan to retain their sawmills and export organizations, with the third company intending to go out of business entirely. The former two lessees received as compensation title to about 50,000 tons of teak, which the companies may export to any country, retaining the full proceeds of whatever currency is earned. Negotiations are still under way regarding compensation for the third company.

The teak consortium, which has played a central part in Burma's teak industry since the war, has thus been liquidated, and Government operation has been completely substituted for private enterprise in teak extraction. The firms which have been affected by the Government's nationalization program consist of two Burmese companies, four British firms, and one firm under British management. Compensation in connection with the nationalization action of June 1, 1948, is still being negotiated, with the Government reported to have offered 30,000,000 rupees as against the evaluation of about 60,000,000 rupees by the companies concerned. As in other nationalization projects, the compensation the Government proposes to pay is in the form of nonconvertible bonds.

MINERAL PRODUCTION

Before the war the production of petroleum, petroleum products; and a wide range of minerals in the non-ferrous class was the basis for 38 percent of Burma's export trade; and was second in importance to rice, which accounted for 45 percent. Since the war there have been no exports of petroleum or petroleum products; and only a nominal volume of exports in a few of the metallic minerals.

In addition to the requirement of political stability, restoration of prewar levels of production in metallic minerals is dependent upon the reconstruction of extraction facilities, the draining of the mines, the installation of new hydroelectric capacity, the rehabilitation of the transport system, and the availability of Indian and Chinese labour. With respect to labour requirements there is still no solution of the difficulties between India and Burma regarding the movement of Indians to Burma. On the other hand, Burma refuses to permit the return of Chinese, reflecting the reluctance of countries in Southeast Asia to increase the Chinese segment of their population.

Excluding petroleum, Burma's minerals industry is confined largely to the Mawchi mines in Karenni State for tin and wolfram, and almost exclusively to the Bawdwin mine in the Shan State for silver, lead, zinc, and copper. The only other important production comes from an undetermined number of dredges and mines located principally in Tenasserim, which together account for about one-half of the total output of tin and wolfram. The location of the industry in these less-disturbed areas spared mining operations to some extent from the effects of civil strife, but problems of labour, transport, and of insecurity stemming from the Government's socialist program and from the effects of insurrection were still prevalent and little progress in reconstruction was made during 1948.

At the Bawdwin mine, three 400-kw. generators were installed in May 1948, permitting the processing of considerable quantities of ore which had been extracted before the war, in addition to the production of a small tonnage from new ore supplies. Smelting and refining operations were discontinued, however, in early September because of the shortage of essential mining supplies resulting from the interruption of traffic over the Burma Railways by insurgent activity. Operation was resumed in early October, but by December traffic difficulties over the Railways portended another shutdown. Actual mining was interrupted in October by heavy floods and landslides, the effects of which had been overcome only by the end of the year. At the Mawchi Mines, a treatment plant with a monthly capacity of 300 long tons was restored to operation early in the year, and production got under way on an encouraging basis. However, a shortage of labour and an embargo on essential explosives created a serious set-back. With reference to the Tenasserim producers, very little advance was made during 1948, in large measure because of the Government's fail-

ure to formulate a policy concerning the mining industry. Even the modest program which was attempted was impeded by delays in obtaining vital plant equipment.

On December 30, 1948, the Burma Corporation announced that since the resumption of operations at the Bawdwin Mine in June the estimated total production from ore mined before the war included 450,000 ounces of refined silver; 7,450 long tons of refined lead; 1,500 long tons of zinc concentrates; and 500 long tons of copper matte. Comparatively, these figures represented about 7 percent of the 6,230,000 ounces of silver produced in 1939; 10 percent of the 76,950 long tons of lead; 2 percent of the 61,070 long tons of zinc concentrates; and 6 percent of the 7,800 long tons of copper matte. Mawchi Mines produced about 820 long tons of mixed tin and wolfram concentrates in 1948, representing about 23 percent of the 300 ton per month mill capacity.

The position of Burma's petroleum industry since the war is worse than that of any other sector of the country's economy. Extraction and refining facilities suffered serious damage during the war as the result of "scorched earth" operations and aerial bombing, necessitating a reconstruction task of huge proportions. The resultant inability to produce more than a small percentage of prewar levels (1948 output of petroleum and petroleum products was less than 5 percent of 1939 production) has created a strain on Burma's foreign exchange position by precluding potential earnings of foreign exchange and necessitating substantial expenditures on imported petroleum products. In 1940, petroleum and petroleum products accounted for 25 percent of the total value of exports. At the present time, the absence of sufficient production even to meet internal requirements necessitates the importation of about 34,000,000 imperial gallons of petroleum products annually, at the expense of dwindling exchange reserves. The rehabilitation efforts of the Burma Oil Company have been directed largely toward cleaning out the wells which were polluted and blasted during the preinvasion "scorched earth" program, and toward the reconstruction of the Syriam refinery, which before the war had a capacity of 800,000 imperial gallons daily. These efforts have been retarded not only by the insurrection in Burma but also by the failure of the Government to enunciate a clear policy regarding capital investment.

The Burma Chamber of Commerce has reported that although much progress was made in reconstruction at the oilfields and at the refinery since the end of the war, the fields were cut off from Rangoon during the last half of 1948 and that none of the heavy material necessary for rehabilitation was delivered during that period. The work of rehabilitating the pipe line from the fields to the refinery, without which the industry cannot function, was interrupted by the insurgents and it is not possible to determine when it may be resumed. Reconstruction of the Syriam refinery has been further retarded by this development. Having

spent £8,000,000 on reconstruction since the end of the war, the Burma Oil Company informed the Government late in 1948 that further work would be impossible under existing conditions. The Company was requested by the Government to consider terms on which the industry could continue to operate if financial assistance were received from official sources. The Company was seeking a 25-year guarantee of private operation in addition to Government financial participation. An agreement on this question depends only on the ability of the Government of Burma to secure the necessary funds. A foreign loan is the only source.

TRANSPORTATION

One of the most serious results of civil war has been the crippling of the transportation system. On numerous occasions during 1948 rail service between Mandalay and Rangoon was interrupted by the bombing of bridges, the removal of track, and the destruction of communications equipment. While repairs were usually completed within 1 to 2 weeks, they were usually followed by similar sabotage in another area. In addition to severing rail communications from time to time, the insurgent attacks also caused a reduction in the speed of trains, which had to proceed slowly enough to permit the advance inspection of track. Simultaneously, armed attacks were made with increasing frequency upon river transport, particularly along the lower reaches of the Irrawaddy River and in the vicinity of the Twante Canal, which provides a link between that river and the port of Rangoon. On a few occasions, traffic through the canal was impossible. Thus the movement of timber and paddy from their sources via the Irrawaddy River to Rangoon became precarious and sometimes requires an armed naval convoy. Since motor roads in most of Lower Burma are considered unsafe because of roving bands of marauders, the interruptions which occurred in rail and river traffic served at times to isolate Rangoon from the rest of the country. The inauguration of the state owned and operated Union of Burma Airways in September alleviated this situation slightly by providing passenger traffic between the capital and other major towns, and by permitting the movement of light freight such as newspapers.

Under these circumstances, the movement of heavy cargo internally was spasmodic and hazardous, and as a result the foreign trade of the nation underwent a decline. Those limited imports which were permitted entry under a stringent licensing program were difficult and in some cases impossible to distribute to rural markets, and accordingly many commodities piled up in warehouses in Rangoon. Similarly, the disrupted transportation network prohibited the free flow of export commodities from their sources to the ports.

A major development in the domestic economy occurred on June 1, 1948, with the nationalization of the Irrawaddy Flotilla Company. Together

with the Arakan Flotilla Company, the IFC exercised a virtual monopoly over organized river transport. In 1940-41, the IFC carried 1,300,000 tons of freight, compared with 4,000,000 tons carried by the Burma Railways. During the war the company lost substantial capital assets and later resumed operations on a contract basis as agents of the Government, which provided 80 percent of the funds required for purchase of new capital equipment. During the 5-month period from January to May 1948, inclusive, the services operated by the IFC carried 234,000 tons of cargo and 528,000 passengers. Figures are not available for the period after June 1 when the Government commenced operations, but a heavy decline both in freight and passenger traffic has been caused by the insurrection, which necessitated the suspension and curtailment of many services. Thus total traffic in 1948 was less than the 1947 volume of 434,000 tons of cargo and 1,238,000 passengers. Accordingly, the operation of this nationalized concern has been a heavy financial drain on the Government. A motion to nationalize the Arakan Flotilla Company, which was introduced in Parliament late in 1948, was promptly rejected by Government leaders.

The effect of insurrection on the state-owned Burma Railways was even more serious. Tracks, bridges, and other permanent installations proved particularly vulnerable to insurgent attacks, and since June the railways have seldom operated without some interruption to their schedules. Traffic between Mandalay and Rangoon was sporadic and unsafe and there were many instances when blasted bridges and track prohibited through traffic. The diminution of the flow of produce from Upper Burma was reflected in the sharp increase in the price of foodstuffs in Rangoon, while the decline in northward traffic resulted in mounting inventories of imported goods in the capital city. It is estimated that earnings in 1948 were about 40 percent of 1947. Moreover, expenditure in 1948 must have been much in excess of 1947 as a result of required repairs to installations.

Under these circumstances, the inauguration of the state-owned Union of Burma Airways on September 16 was welcomed by the public of Rangoon as a means of communication with other parts of Burma. Original services connected Rangoon, Bassein, Magwe, Toungoo, Meiktila, and Anisakan (Maymyo and Mandalay), and were subsequently expanded to include Moulmein, Mergui, Tavoy, Kyaukpadaung, and Akyab. Six De Havilland "Dove" aircraft, each with a passenger capacity of 11, had been ordered from the United Kingdom for the conduct of air services. In addition, a number of DC-3 planes were chartered to the Union Air Lines, which were no longer permitted to operate internally on a private basis after the air transport industry had been nationalized.

During the first 2 months of 1948, conditions at several points in Burma had become so unsettled that regular air services became impossible. Moreover, the landing field at the outskirts

of Rangoon was located dangerously close to an area of actual battle, and rebel gun-fire was sometimes aimed at aircraft as they took off or came in low for a landing. Hence, services have become disrupted in air transport as well as in rail and river transport.

With reference to the operations of the port of Rangoon, which before the war handled about 85 percent of Burma's foreign trade, total sea-borne trade in 1948 amounted to 1,920,711 long tons, compared with 1,716,462 long tons in 1947. Imports declined from 822,101 long tons in 1947 to 702,134 long tons in 1948, and exports increased from 894,361 long tons to 1,218,577 long tons. Nine wharf berths were in commission throughout the year, and 572 steamers of 1,710,000 net registered tons entered the port in 1948, compared with 630 steamers of 1,930,000 net registered tons in 1947. Schooner traffic increased from 894 to 905. Only a modest program of reconstruction was attempted during the year owing to inadequate funds.

FOREIGN TRADE

Prior to the war, Burma enjoyed a highly favourable balance of trade which was conducted almost exclusively within the British Empire, India alone supplying over 55 percent of the total value of exports. During the years 1936-39, the average value of total imports amounted to 228,600,000 rupees while the average value of total exports was 503,000,000 rupees, leaving an average annual favourable balance of 274,400,000 rupees. After the war, trade continued to be confined largely to the British Empire, but deficits developed in Burma's foreign trade and balance of payments as the result of war-inflicted economic deterioration. The unfavourable balance of imports over exports amounted to an estimated 130,500,000 rupees in the last 8 months of fiscal 1945-46, and to 72,600,000 rupees in 1946-47. There is no reason to believe that any improvement was made in 1947-48, and if internal hostilities continue, it is expected that the favourable balance of imports over exports will reach most serious proportions in 1948-49.

An important change has also occurred in the pattern of trade. Whereas before the war rice usually accounted for 40 to 50 percent of the total value of exports, it now accounts for 80 percent. Metals and ores, which formerly provided about 12 percent of the value of exports, now furnish only 3 percent; while petroleum products, which once represented about 26 percent of the value of exports, now represent an essential import item. Financial equilibrium is thus based preponderantly upon the export of rice. With present restrictions on the movement of that commodity internally, the trade position of the nation appears to be in very serious condition, rendered more critical by necessary imports of expensive military equipment. Moreover, invisible imports are much in excess of invisible exports, although controlled by stringent exchange regulations, and this adverse balance has a serious effect

upon the international balance of payments. This condition is further aggravated by the transfer of capital from Burma to India and the United Kingdom by Indian and British businessmen.

The estimate of total value of exports for 1948 at 648,000,000 rupees is an increase of about 38 percent over the 1947 and an increase of about 29 percent over the average 1936-40 level. Prices of most commodities had increased, however, from 300 to 400 percent over the prewar level, and the volume of 1948 exports was far below prewar levels. Notwithstanding the inflation which had occurred in the interim, the estimated average per capita export trade was only US\$8.57 in 1947 and \$10.93 in 1948, compared with \$12.65 for average 1936-40. In view of the increasing disruption in the domestic economy, exports in 1949 are not likely to equal those of 1948.

As in the prewar period, exports were directed mostly to the British Empire and Commonwealth. India, Ceylon, and Malaya alone accounted for 82 percent of the rice exports while shipments to other British areas increased this figure to almost 90 percent. Teak and other timber were shipped almost exclusively to India and England. The only significant exports outside the sterling area were minerals and cotton. Of the former, 4,536 long tons went to Belgium and 3,723 tons to the United States, while India received 1,899 tons and the United Kingdom 1,274 long tons. Mineral exports consisted almost entirely of lead ingots and pigs to the United States and India, of lead slag to Belgium, and of wolfram and zinc concentrates to the United Kingdom. With reference to cotton, China received most of the 6,000 long tons of lint which were available for export, the reason being that the cotton-producing area in central Burma is located only a few hundred miles by road from the Yunnan border, where the demand for raw cotton had increased its value well above the world price.

Under the terms of membership in the sterling area, Burma is required in principle to surrender dollar earnings to the dollar pool in London and is permitted in turn to draw dollars against sterling for essential requirements associated with reconstruction. Burma's outstanding dollar expenditure for 1948 was the purchase of a cotton spinning and weaving plant from the United States in connection with the top priority project in the Government's programme of economic development. Indicative of the trend of the postwar development of Burma's economy, the cotton textile equipment was procured on Government account.

Burma's dependence upon the dollar pool of the sterling area to finance its decidedly adverse balance of trade on dollar account is not a peculiarly postwar feature of Burmese foreign trade but derives basically from the fact that the normal pattern of trade with the United States is an excess of im-

ports over exports. Nor are postwar trade deficits on dollar account themselves responsible for the stringency of trade controls restricting imports from the United States. Present restrictions on hard-currency trade are induced primarily by the difficult dollar position of the sterling area.

The postwar availability of dollars to finance trade with the United States has been the subject of much uncertainty, depending upon the dollar position of the sterling area as a whole upon Burma's ability to earn enough sterling to obtain dollars, in addition to sterling requirements to finance soft-currency trade. In the light of previous trade with the United States since the war, Burma's position in hard currencies during 1948 was relatively favourable. In addition to dollars earned through trade with the United States and from expenditures by Americans in Burma, particularly the missionaries, rice exports to China in December 1948 under the China aid programme of the Economic Co-operation Administration brought \$768,000, equivalent to 2,560,000 rupees. For the last 6 months of the year, Burma was permitted by a financial arrangement with the United Kingdom to retain for its own disposition its own earnings of hard currency and to withdraw from the sterling area pool up to the equivalent of £2,000,000 to finance essential imports from hard currency sources. Although most of the hard currency drawn under this arrangement was probably used to cover purchases from the United States, it is possible that some might have been applied to nominal imports from other hard-currency sources, such as imports of paper products from Belgium, and to the financing of Burma's deficit in convertible sterling trade with Japan, if such conversion was requested by SCAP. The agreement with London defined the hard-currency area as follows: the Western Hemisphere, excluding Brazil, Chile, Uruguay, Peru, and any territories in the sterling area, the Dutch monetary area, or the French franc area; the Belgian monetary area; the Portuguese monetary area, excluding Portuguese India; Japan; the Philippines; and the Bizonal area of Germany.

As a result of abnormally low levels of exports and persistent requirements of materials and equipment from abroad in connection with reconstruction, postwar development, and civil war, Burma's over-all balance of trade during the postwar period has been decidedly adverse, compared with large favourable balances which featured the country's external trade before the war. The continuation of trade deficits has probably resulted in a serious reduction of the spendable portion of Burma's capital resources (sterling balances), i.e., that segment over and above assets representing backing for Burmese currency. Such a depletion of spendable sterling, in the absence of foreign aid, affects Burma's dollar availabilities as well as its exchange resources for imports from outside the hard-currency area.

The attempt of the Government of Burma to develop export trade with the United States has been impeded by civil war since the summer of 1948 and cannot be expected to reap dividends until political stability is restored and economic reconstruction and development are permitted to continue. Thus far during the postwar period, Burmese exports to the United States have consisted principally of hides and skins, rubber, teak, lead, and precious stones. The Government would like to elevate Burmese handicrafts to an important position in trade with the dollar area.

LABOUR

Labour relations erupted in March as a result of political stimulation furnished by the communists. The Burmah Oil Company Workers Union went on strike on March 9 at the instigation of communist agitators preparatory to the insurrection which was to follow several weeks later. This Union is affiliated with the Communist-dominated All Burma Trade Union Congress. The action of the oil workers was soon followed by strikes of sawmill workers, mechanics, and other employees of several large European firms. Labour relations by the middle of March appeared to be swiftly deteriorating, with threatened strikes by workers of the Rangoon Electric Tramway and Supply Company and Government clerks of the All Burma Ministerial Services Union. This trend was brought to an abrupt conclusion at the end of the month, however, when the Government of Burma, for security reasons, initiated strong anti-communist measures which resulted in the arrest or flight of all major and secondary leaders of that party. With this firm and effective action, relatively normal conditions were restored. During the remainder of the year, labour was relatively unaffected by politically inspired agitation.

Not all of the existing labour difficulties were attributable to communist activity, however. Labour in general had much to accomplish for itself in a country afflicted with tremendous social ferment and it did not hesitate to seek correction of a number of legitimate grievances.

Despite the adverse influence of unsettled political conditions on the labour movement, an encouraging degree of progress was made by the Labour Department and its auxiliary bodies. A completely new Factories Act was drafted on the lines of the new Indian Act, containing improved provisions for safety, health, holidays with pay, welfare, and hours of work in factories. Improvements in the Payment of Wages Act were suggested, widening its scope and improving its administration. It was suggested that a new law on the lines of the English Wages Council Act be enacted to provide for means of formulating minimum wages and improving conditions in various trades and for enforcing such wages and conditions by legal sanction. A report on workmen's compensation proposed improved benefits for death and disability

and suggested compulsory insurance by employers against these liabilities. In October 1948 the Trade Dispute Amendment Bill was enacted to amend certain defects in existing legislation for the arbitration of labour disputes. On May 18, 1948, Burma became a member of the International Labour Organisation and subsequently dispatched a delegation to the ILO conference in San Francisco.

At the end of November, there were 83 registered trade unions with an estimated membership of about 50,000 workers. The efforts of the Labour Department to encourage registrations were impeded during the year as a result of civil strife. Moreover, a number of unions had to be removed from the list of registered organisations when they failed to comply with documentary requirements.

BANKING AND CURRENCY

The Union Bank of Burma commenced operations on February 3, 1948, as the central banking institution of the country. It assumed from the Central Treasury all the functions which that organisation had previously inherited from the Reserve Bank of India in April 1947, together with responsibility for exchange control. The bank began its operations with an initial capital of 10,000,000 rupees subscribed by the Government. Generally speaking the Union Bank of Burma is permitted to act as banker to the Government and to other banks in the country, to rediscount certain types of bills, to administer internal and external remittances, and to act as an official agent for the control of foreign exchange. The bank is not permitted to engage in trade or to acquire any interests in commerce.

By the end of last year, Indian currency had acquired a premium of 12 percent over Burmese currency in the exchange rates offered by unlicensed money dealers on the streets of Rangoon. While the black-market demand for American dollars was negligible in Burma, it was possible to exchange dollars at premium of 50 to 75 percent over the legal rate of 3.3 rupees to the dollar. In Bangkok and Hongkong it is possible to acquire Burmese rupees in exchange for dollars at a nearly 100-percent premium.

On several occasions during the year it was indicated that the Government was considering the removal of the Burma Currency Board from London to Rangoon. This suggestion was even included as one of the original 15 points of the Prime Minister's leftist unity programme announced in May. By the end of the year, however, the Board continued to function in London, probably remaining there only because of the financial crisis in Burma. Under the Currency and Coinage Act of 1946, the Board controls currency issue and manages the Burma Currency Fund. Under existing law its membership of five persons must include two who have been born and domiciled in Burma "of parents habitually resident in Burma, and not established there for temporary purposes."

UNFAVOURABLE OUTLOOK

Burma began its first year of independence with expectations of a budget surplus on revenue account for the fiscal period 1947-48 (October through September) and a reduction in its adverse trade balance. The basis for this favourable outlook was an expected increase in the availability of rice for export and an increase of approximately 14 percent in the export price. As the result of a change in budgetary accounting, the introduction of new pay scales on April 1, 1948, and a shortfall of 350,000 long tons in exports of rice and rice products, the Government suffered a substantial deficit on revenue account and a marked reduction in its closing cash balance for the year.

The events which contributed significantly to this reversal of earlier expectations continued into fiscal 1948-49 with greater intensity. A substantial deficit and a serious reduction of the Government's cash balance were anticipated in September 1948 on the basis of budgetary estimates submitted to Parliament but prepared earlier without knowledge of the subsequent deterioration in the country's economic and political position. An official reassessment of budgetary developments in February 1949 raised the estimate of expenditures, reduced the estimated revenue, and put the deficit for 1948-49 at 326,000,000 rupees, compared with the original estimate of 100,914,000 rupees.

This financial crisis resulting from the impact of civil war on the economy impelled the Government of Burma to request financial assistance from the United Kingdom to meet the budget deficit and to finance the Government's purchase of the current rice crop. This request was referred to the New Delhi conference of Asiatic members of the Commonwealth of Nations where the Burmese situation was discussed by those countries most seriously affected by the adverse turn of events in Burma. By June 1949 no financial assistance had been extended, presumably because of continued civil strife. The only financial aid Burma has received since its independence was a loan of £10,000,000 from the United Kingdom in 1948 to finance rice purchases by the State Agricultural Marketing Board, which is the sole purchaser of Burmese rice for export. This loan was repaid in full during the same fiscal period.

The Government of Burma still owes substantial sums to the United Kingdom and India and Pakistan on account of loans extended during and since the war, notwithstanding the waiver of a portion of Burma's obligations to London under the provisions of the Treaty of Independence of October 17, 1947.

Burma ended its first year of independence in the throes of a serious financial crisis which is expected to continue for some time after the restoration of political stability. In mid-1949, the latter was itself not yet in sight.

The Economic Situation in South Korea at the Beginning of the Second Half Year

The realization of Korea's 1949 rice-production goal of slightly more than 2,500,000 metric tons of brown rice was seriously threatened by severe drought in Kyonggi and adjoining provinces during June. Rainfall during that month in the western half of Southern Korea was only one-third of the average for the past 40 years, and although the rainy season traditionally begins in early July, very little or no rain fell within the Seoul region during the first 8 days of July. This June-July drought has prevented the transplanting of rice seedlings from seedbeds to rice paddies on 550,000 acres not having controlled irrigation.

The harvest of 1949 summer grains—barley, wheat, and rye—was practically completed, without loss, by July 10. Preliminary crop reports indicate that the 1949 yield will amount to approximately 800,000 metric tons of rough grain, or about 655,000 tons of polished grain, 20 percent above the 1948 harvest.

Government ration rolls at the end of June numbered slightly more than 3,000,000; government food stocks of the same date totaled 86,000 metric tons of rice and 18,500 metric tons of other cereals. To conserve existing stocks of food, the ration for Seoul was reduced in June from 2.5 hop (350 grams) to 1.5 hop (210 grams) per

rationee. This development, coinciding with the drought, put heavy pressure on the open-market price of rice in Seoul. On May 31, the open-market price for rice in Seoul was W880 (won) per small mal (W53 per pound), but on July 10 it had reached W1,400 (W85 per pound). Although the price increase of rice was less steep in other parts of Southern Korea, the price rose on the average about 20 per cent in the Provinces during the same period. Prices on summer grains, however, remained generally steady or even declined in some areas.

On June 22 the Korean Government promulgated the Land Reform Law, which will give about 1,000,000 tenant and part-tenant farmers the opportunity to purchase, on very reasonable terms, land which they till.

Industry

Industrial output in Southern Korea during May reached a level considerably above that of 1948. Reports to date indicate the over-all June output as slightly below the May level. The accompanying table, which gives the trend of production for representative commodities, shows that the over-all factory production in May averaged 165 percent of the average output during 1948.

Trend of Industrial Production in Republic of Korea

Commodity	Monthly production			Index May production (1948 monthly average=100)
	1948 average	Jan-Apr. 1948 average	May 1949	
Average index all commodities ¹	—	—	—	165
Cotton sheeting ² million metres ..	2.1	3.1	5.2	247
Cotton yarn metric tons ..	493	744	1,177	238
Machine-made paper do ..	270	453	631	233
Flour ³ do ..	1,734	2,582	655	38
Noodles do ..	225	234	426	187
Nails do ..	141	210	212	150
Common brick do ..	3,290	4,750	9,000	270
Cement do ..	1,446	2,716	(4)	(4)
Pottery thous. pieces ..	626	2,259	1,422	227
Rubber products:				
Rice rollers pairs ..	4,293	3,965	1,173	27
Bicycle tires do ..	9,242	1,175	18,787	203
Truck tires each ..	828	1,345	2,200	266
Rubber shoes thous. pairs ..	1,690	1,303	1,594	84
Cut tobacco metric tons ..	493.8	527.2	540.0	109

1 In computing over-all index several other types of manufacture are considered as well as the types listed.

2 Includes only production of 13 major plants.

3 Processing of flour declined sharply in May because of shortage of wheat for processing.

4 The only cement plant in Southern Korea was closed down in May for the purpose of relining kilns.

Having inherited the ownership of about 90 percent of Korean industry as a result of the transfer of former Japanese-owned public and private property, the Korean Government is now faced with the question of deciding which plants should be sold to private interests, and how to reorganize the management of retained industries in order to increase production, reduce bureaucratic obstructions, and provide adequate sound financing for the future. The National Assembly is scheduled to consider the disposition of formerly Japanese-owned property during July.

Mineral and Electric-Power Production

Coal production in May totaled 97,446 metric tons, as compared with an average of 72,285 metric tons per month in 1948 and a postwar high on 110,680 metric tons in April 1949. (For the first time these statistics include the production of privately financed anthracite mines as well as all Government-financed mines.) Government-owned anthracite and lignite mines produced 103,000 metric tons in June with the output of the Samchok mines reaching 50,207 metric tons, the highest monthly production in the post-

war period. Although present coal production is 45 percent above the 1948 monthly average, it is substantially less than planned, especially at the mines which supply the Yongwol power plant.

The Korean Government is emphasizing the production of peat as a substitute for fuel wood, and in May an all-time record-high production of 37,030 metric tons was reached for Southern Korea.

Monthly production of tungsten in May reached a postwar high of 135.6 metric tons of concentrates (65 percent Wo). It is anticipated that when milling machinery, which has been recommended for the Sanddong tungsten mine is purchased and installed, Korean monthly output will exceed 200 metric tons.

May production of electrolytic copper was 43 metric tons, of amorphous graphite 3,208 metric tons, and of crystalline graphite 93.4 tons. May production of lead and zinc concentrates and of gold and silver, however, was lower than the monthly averages for 1948.

Power production, which in June declined to 77,100 kilowatts, from 78,500 kilowatts in May, was about 5 percent below the average monthly production of the three preceding months (March-May). This decline was attributed primarily to the shortage of water for hydroelectric plants, with one plant inoperative because of the shortage.

Finance

Currency circulation, which contracted in the first few months of 1949 and then increased, continued to expand through June, with heavy Government deficit-spending accelerating this trend. The currency issue on June 30 was W40,800,000,000 W2,200,000,000 above that of May 31.

Preliminary figures show Government revenues for the first quarter of the fiscal year (April-June) as W19,000,000,000 and expenditures as W19,000,000,000, making a deficit of W10,000,000,000. The magnitude of this first-quarter deficit is disquieting when related to the projected deficit for the entire fiscal year (April 1, 1949-March 31, 1950) of W27,500,000,000 and to April-June collections from the sale of American-financed aid supplies.

Although steady improvement has been made in recent months by the Government in collections for American-financed aid supplies, total collections for the quarter April-June 1949 were W9,400,000,000, less than the Government deficit for the same period. As of June 30, ECA notifications requesting that the Korean Government make deposits for aid goods delivered since December 15, 1948, totaled W34,800,000,000, whereas actual deposits of the Korean Government were W81,200,000,000. As of the same date, Civilian Supply Accounts receivable, as revised, totaled W27,000,000,000, most of which is for aid supplies distributed in 1947, and 1948.

Developments in Shanghai and Tientsin

SHANGHAI

The authorities began to register export goods to be shipped through Tientsin for the purpose of arranging rail priorities. It is estimated that one-third of the total imports destined for Shanghai but which had been off-loaded in Hongkong have now reached Shanghai through Tientsin. It was announced that the communists were to establish a Joint Purchasing Commission with a capital of PB\$20 billion to purchase cotton for both private and state mills. The East China Trade Company was to take 20 percent of the capital.

Taxes

Following is a summary of the provisional regulations for the collection of business tax, which were promulgated by the Shanghai People's City Government on August 12.

1. Business enterprises within the Shanghai city limits are subject to the tax, if the head office or a branch is operating in that city. 2. The following enterprises are exempted from payment of the tax: (a) Factories wholesaling their own products on which the factory-leaving or production tax has already been paid; (b) abattoirs which have paid the abattoiring tax; (c) military industries; (d) approved cultural and journalistic enterprises; (e) registered charitable organizations whose income is used in affiliated concerns; and (f) domestic, agriculture, and manual pursuits employing no laborers or apprentices. 3. The products resulting from new agricultural and indus-

trial inventions registered or promoted by the authorities shall be exempted from the tax for a period of 5 years.

4. The tax is based on the total gross receipts calculated as follows: (a) For industrial enterprises selling their products and commercial concerns dealing in merchandise, discounts and goods returned shall be deducted from gross sales; financial and other income not derived from normal business operations, and goods consigned to branches shall not be included in total business receipts; and (b) incomes of enterprises furnishing services or credit shall be calculated on the basis of commissions, service charges, fees, interest, etc., without reduction of cost or other expenses, except where premiums are paid for reinsurance. Either the cash or accrual system may be used for accounting purposes, but a taxpayer may not change from one system to the other without the approval of the tax authorities.

5. Minimum taxable amounts.—Enterprises enumerated in the following paragraph shall be taxed on receipts in excess of PB\$1,500,000 per taxable period (two months). Short term businesses shall be taxable on each transaction with total receipts of PB\$410,000. Enterprises enumerated in paragraph 7 shall be taxable on total receipts of PB\$400,000 in each period. Businesses of short or temporary duration shall be taxable on each transaction with total receipts of PB\$100,000.

6. Rates of Taxation.—(a) Iron and steel refining industries, metal casting and manufactures, liquid fuel, chemicals, raw materials, shipbuilding, trans-

portation, and export companies shall be taxable at a rate of .5 percent; (b) public utilities, machinery industry, electricity, generating machines, and material, agricultural and tool manufacturing, cement, medicines, and import companies, .75; (c) industries not enumerated in the two preceding clauses, and rice and flour merchants, 1 percent; (d) books, newspaper, and printing; and chemicals, raw materials and medical supplies 1.2 percent; (e) all retail establishments except those enumerated previously, such as drinking and food establishments, hotels, clothing shops, department stores, renting establishments, laundry and dyeing shops, breweries, contractors, bath-houses, barber shops 1.5 percent; (f) amusement resorts, cafes, foreign-style restaurants, photographers and photo appliance and materials dealers, watch and clock dealers, and optical shops, 1.8 percent; (g) gold and silversmiths, jewelry, curio dealers, sellers of incense and josspaper, 2 percent. Banking, trust companies, pawn brokers, insurance and warehousing businesses, 3 percent; go-betweens, customs brokers, auctioneering exchanges, brokers, and commission and realty agents, consignees, and others, 4 percent.

Payment of Tax.—Taxpayers are obliged to compute the tax due and to pay it to the nearest public treasury within 10 days after February, April, June, August, October, and December.

Foreign Trade Regulations.—The communist authorities announced the following rules governing the importation of merchandise which was licensed by the Nationalist Government prior to the capture of Shanghai:

1. Imports purchased with private exchange which have arrived after the takeover of Shanghai may be cleared even though the goods are now prohibited from being imported. 2. Goods which require special permits for importation may be imported, but they are subject to purchase and distribution by the Foreign Trade Corporation. 3. If unfilled orders are cancelled by importers, they must purchase other goods of an equivalent value or surrender exchange to the government. Regulations now in effect give the authorities effective control of all outstanding imports.

Banking.—New regulations covering the operation of commercial native banks were issued on August 27, and were regarded as a prelude to the issuance of regulations for the operation of foreign banks.

Finance.—Official exchange rates at the end of August were increased as follows: US dollar, PB\$2,350 from PB\$2,250; Pound sterling to PB\$6,400, from 5,850; Hongkong dollar, 400, from 365. Black market rates continued to rise, as gold reached PB\$185,000 per ounce, as against 143,000 on August 22; the US dollar rose to PB\$3,300, as compared with 2,250 the preceding week, while the "Big Head" silver dollar declined to PB\$1,600 from PBN 2,000.

Commodities.—Prices decreased during the last week of August, but began to rise sharply upon disclosure that the communist authorities had commenced purchasing. In order to check ensuing increase, the authorities began to dump

Government foreign-exchange transactions in June included receipts \$38,815 and expenditures \$255,365, reducing the total United States dollar holdings to \$26,064,278 at the end of June (compared with \$26,281,000 at end of May). The Korean Foreign Exchange Bank commercial transactions during June included purchases US\$ 133,473 and sales US\$50,052, increasing the balance available for purchases by authorized traders from \$208,000 on May 31 to \$291,851 on June 30. On June 13, a Presidential proclamation established a dual rate of exchange for the Korean won providing rate of 450 won to 1 United States dollar for government transactions and a "market" rate of 900/950 to 1 United States dollar for all other legal transactions. The change in the Korean Foreign Exchange Bank "market" selling rate of won from 450 to 900 per United States dollar sharply increased conversion of dollars for won, and raised black-market quotations for gold, United States bank notes, and military payment certificates.

Foreign Trade

Government-level imports into the Republic of Korea for the month of May are reported as \$34,419,000, whereas government-level exports dur-

ing May totaled \$2,283,000. Exports valued at \$2,175,482 went to Japan, including laver, anchovies, shrimp, fluorite, and graphite. Pyrites valued at \$93,330 were shipped to the United States and zinc ore valued at \$14,256 to Europe. Government exports during June, which are reported as \$203,834, include 50 metric tons of tungsten ore (valued at \$53,625) to the United States, and 2,202 metric tons fluorite (valued at \$83,709) and 1,900 metric tons of graphite (valued at \$66,500) to Japan.

The Korean Customs Bureau valued private trade imports during May at W1,613,000,000 and exports at W888,000,000. Owing to the Customs Bureau's practice of reporting won value of this trade on the basis of local open-market prices, however, exports are undervalued and imports are overvalued in terms of world-market prices. Major private imports were cotton yarn and thread, newsprint, raw rubber, and caustic soda, whereas major private exports were marine products and ginseng.

Customs Bureau private trade import and export data are not yet available for June. Import permits for June, however, numbered 179 valued at W610,000,000, and export permits 66 valued at W810,000,000.

the commodities they had purchased, thereby reducing prices. The result of the counter-acting purchasing and dumping left rice at PB\$50,000 per picul, up PB\$5,000 from the preceding week, while other commodities showed a 36 percent increase. Cotton cloth led the commodity rise as dealers expected large orders from South China after the anticipated fall of Canton. The Parity Deposit Unit (PARDEP) rose to 813 from 760 where it had fallen during the previous week.

TIENTSIN

The communist regime's North China Trading Company is to be reorganized into specific units for the various activities involved in carrying on domestic trade importing and exporting. The

population of Tientsin as of August 15 was placed at 1,704,687, compared with 1,913,187 in December 1948.

Foreign Trade Regulations. — The Bank of China advised appointed banks to surrender foreign exchange proceeds in accordance with the following procedure: (1) 45 days after the cargo has passed customs where it is destined for Hongkong, Amoy, Philippines, and Korea; (2) within 70 days on shipments to India, Burma, Malaya, East Indies, Indochina, Siam and elsewhere in Southeast Asia; and (3) within 100 days when the shipment is destined to any other area. However, exporters must surrender the foreign exchange arising on all shipments within 20 days of customs clearance.

Banking and Finance.—The Bank of China reduced at the end of August the exchange rate for US currency notes to PB\$2,400 (from 2,700), although drafts, checks and commercial paper continued to be exchanged at the official rate of PB\$2,700. The telegraph office at Tientsin commenced accepting messages in Petersen code for international remittances.

Prices.—Commodity prices remained comparatively stable. The price of rice remained unchanged at PB\$340 a catty; while the Nankai University's Economic Research Institute reported at the end of August the general commodity index as PB\$3,128,365, an increase of 4.48 percent over the previous week, which in turn had risen 14.83 percent over the week ending August 15.